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Addendum

Deal Approval Sheets

Finance Committee Meeting

May 1, 2000

Committee Members

Mr. Herbert S. Winokur, Jr., Chairman
Mr. Robert A Belfer
Mr. Norman P. Blake, Jr.
Mr. Ronnie C Chan
Mr. Paulo V. Ferraz Pereira
Mr. Jerome J. Meyer
Mr. Frank Savage
Mr. John A. Urquhart

ENRON
Endless possibilities.

EC004401920

Strategic Transactions

EC00440192

Enron Transaction Approval Summary
Strategic Transactions

Board of Directors Meeting: May 2, 2000

TODAY'S DATE: April 21, 2000

Tab No.	Region/ Business	Investment Class	Date Approved	Transaction Name	Transaction Size	Approval Authority*	Net Amount
S-1	EBS	Conforming	31-Mar-00	AHI	$ 56,850,000	ENE-CEO/COO	$ 56,850,000
S-2	EBS	Conforming	17-Mar-00	BellSouth PoP Deployment	$ 6,025,000	ENE-OOC	$ 6,025,000
S-3	Europe	Conforming	14-Apr-00	Condensing Turbine	$ 11,000,000	ENE-OOC	$ 11,000,000
S-4	Caribbean	Conforming	14-Apr-00	EcoElectrica-Working Capital	$ 11,750,000	ENE-OOC	$ 11,750,000
S-5	Enron Global LNG	Conforming	12-Apr-00	Elba Island LNG Terminal	$ 66,100,000	ENE-CEO/COO	$ 66,100,000
S-6	EES	Conforming	16-Feb-00	Georgia Army	$ 68,100,000	ENE-CEO/COO	$ 68,100,000
S-7	ENA	Conforming	31-Jan-00	Hurricane	$ 21,000,000	ENE-CEO/COO	$ 21,000,000
S-8	EE&CC	Nonconforming	02-Feb-00	Jertovec Pre-NTP	$ 10,000,000	ENE-OOC	$ 10,000,000
S-9	ENA	Conforming	16-Mar-00	Mariner - Pluto II	$ 26,019,000	ENE-CEO/COO	$ 26,019,000
S-10	EES	Conforming	08-Feb-00	MDW	$ 55,600,000	ENE-CEO/COO	$ 55,600,000
S-11	EES	Nonconforming	07-Apr-00	Mercury (including addendum)	$ 29,200,000	ENE-CEO/COO	$ 29,200,000
S-12	EGF	Conforming	31-Mar-00	Nowa Sarzyna Equity Purchase	$ 10,630,000	ENE-OOC	$ 10,630,000
S-13	ENA	Conforming	28-Mar-00	Powder River III	$ 18,744,000	ENE-OOC	$ 18,744,000
S-14	India	Conforming	29-Mar-00	Property Acquisition	$ 40,000,000	ENE-CEO/COO	$ 40,000,000
S-15	ESA/EBS	Nonconforming	10-Mar-00	South America Fiber Optic Network	$ 10,054,000	ENE-CEO/COO	$ 10,054,000
S-16	ESA	Conforming	07-Apr-00	Transredes II	$ 5,000,000	ENE-OOC	$ 5,000,000
Total Funded Capital Approved:					**$ 446,072,000**		**$ 446,072,000**

No new cash required for the following transaction (contract novation)

Tab No.	Region/ Business	Investment Class	Date Approved	Transaction Name	Transaction Size	Approval Authority*	Net Amount
S-17	EEL	Conforming	31-Mar-00	NP TPL Deal	$ -	ENE-OOC	$ -

* Approved under authority granted at the August 1999 Board meeting. Included for information purposes only.

EC004401922

EXH003-01236

S-1

EC004401923

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: AHI
Counterparty: WarpSpeed
Business Unit: Enron Broadband Services
Business Unit Originator: Mark Russ
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: 3/29/2000
RAC Analyst: Chulley Bogle
Investment Type: Acquisition
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 4/21/2000
Expected Funding Date: 4/4/2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment $56.85MM (Equity portion varies with ENE share price until Board approval is received)

EXPOSURE SUMMARY

Equity	$47.69 MM	(635,718 shares@$75, current value)
Cash	$9.16 MM	
Total	$56.85 MM	

DEAL DESCRIPTION

EBS proposes to acquire100% of WarpSpeed Communications, a company based in Northern California, for $56.85MM. (See exposure summary)

WarpSpeed has developed software that, *inter alia*, allows real time switching of T-1 circuits. Having done extensive due diligence the EBS engineering team, consisting of Dorn Hetzel, VP Network Engineering and Operations, David Easterby, Larry Ciscon and David Berberian, is confident that this software can be adapted in a timely manner, and used as the platform for its bandwidth trading software. This would accelerate EBS' automation of bandwidth provisioning at the DS3 level and above.

The alternative to acquiring WarpSpeed would be to use the platform being developed internally. The EBS engineering team acknowledges, however, that while that product would be adequate for the promised April 30 launch, it would need further development for additional functionality, extensibility and scalability features that are critical to the next versions of switching control software. Over the last 3 years, WarpSpeed has developed a robust code base which EBS' engineering team believes can provide these features more quickly and with greater capacity to evolve with market trends.

Founded in 1997, WarpSpeed is able to provide broadband connectivity on demand. It achieves this by combining the cost-effectiveness and flexibility of Virtual Private Networks (VPNs), with the Quality of Service (QoS) and security of leased lines. This service has spawned a new class of broadband services called Dynamic Private Networks. The company currently has 54 employees, forty-five (45) of whom are engineers, experienced in developing connection management and switching software.

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
Cash	$9.16MM	General Corporate purposes	$47.69MM
Enron Equity	$47.69MM	Debt Repayment	$9.16MM
Total	$56.85MM		$56.85MM

RETURN SUMMARY

WarpSpeed's business can be broken down into three separate areas of value:

Acquisition Cost	**$ 56,850,000**
1) Existing Code Base	$ (12,000,000)
2) Incremental Benefit of "Buy vs. Hire"	$ (24,300,000)
Strategic Premium without T1 Business	**$ 20,550,000**
3) Value of the T1 Business	$ (7,000,000)
Strategic Premium	**$ 13,550,000**

EC004401924

EXH003-01238

1) The Code Base - $12 MM

Ownership of the code base, whether through acquisition or building in-house, is imperative to the success of EBS. The code base will serve as the platform from which EBS will launch its bandwidth-trading product. The engineering team has estimated the cost of developing the Code Base at $12MM: the time required is estimated at 20-man years. The estimate is based on the current pay scale for software engineers. This is expected to rise in the short term. The cost of any delay, while difficult to quantify, may be several times the actual cost of the code, due to the importance of time to market.

Additionally, the following factors need to be considered under a **build scenario**:

- Time to market would be significantly increased. That would have negative implications for Enron's share price.
- The existing WarpSpeed team is uniquely skilled; being knowledgeable in both telecom and software engineering
- Recruiting the number of engineers needed would require 6-18 months

2) "Buy vs. Hire": An experienced team of engineers and managers - $ 24.3 MM

As part of the package, EBS will also acquire the WarpSpeed management team and engineers. This engineering team possesses a rare combination of telecom and software skills that would bring a lot of value to EBS. EBS requires software-engineering talent and, without this acquisition, would need to rent or hire the talent to ensure the accelerated development of the EIN. The estimated recruiting time for 45 engineers of this caliber is about 12 months, on average per engineer. The estimated cost of renting during this period is $28.8MM. Incremental analysis of "rent vs. buy" and "hire vs. buy" shows that "buying" saves approximately $24.3MM on a present value basis. Savings for "buying vs. renting" are even greater.

3) The existing T1 business - $ 7 MM

WarpSpeed is currently engaged in the business of providing switched nationwide T1 service on demand. This service connects customers, by local access T1 circuits, to WarpSpeed's network of DS3s, which is currently leased from AT&T. This enables the establishment of connections, between the customers designated points of origination and termination, for the specific time requested by the customer. The technology is based on a unique and highly scalable on-line transaction processing architecture. Customers are charged based on the minutes used, in addition to a monthly charge for local T1 access, which is a pass through to the local loop service provider.

The T1 business could either be added to EBS' slate of product offerings or discontinued. EBS management believes that there is a potential market for this product and is reviewing the business plan. This business has been estimated by EBS, to be potentially worth $7MM.

Strategic Premium

The strategic premium can be justified based on the fact that EBS will be acquiring an experienced team of multi-skilled engineers, who are accustomed to working each other. In addition, EBS will, by acquiring WarpSpeed, reduce the time required for software development by some 20-man years.

CASH FLOW SUMMARY

EBS will be required to deliver, at closing, the 635,718 shares and $9.159MM for repayment of WarpSpeed debt.

EXIT STRATEGY

This is a strategic acquisition. No exit is anticipated.

EC004401925

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Retaining Talent	Retention of management and engineering talent is crucial to the success of the acquisition. EBS enlisted outside consultants to evaluate the Northern CA market, with a view towards ensuring that compensation, including bonus and long-term incentives, is market competitive. Of the 45 engineers whose salaries were reviewed by the consultants, 27 were deemed to have market or better compensation. Additionally: ▪ Two of the three members of the management team will be given 3-year contracts. The other member, due to family commitments, has requested, and will be given, a two year consulting contract. ▪ The entire WarpSpeed team will be offered a Cash and Enron stock option retention package, in addition to standard competitive compensation packages. ▪ The sales and marketing team may be retained depending on its ability to fit within the EBS organization.
Team Integration	An integration plan has been designed to keep the existing team in place to capitalize on the established product development structure. Reporting to Kevin Hannon, the WarpSpeed team will be kept in California, and will initially be focused on the delivery of the BW Manager switch. This will provide direction, and allow the team to add value in the near term.
Value Based on Enron Share Price	The purchase price has been set according to a fixed number of Enron shares. To the extent that Enron's share price increases before authorization of the new shares, EBS will be paying more for this acquisition.
Limit on Indemnities	An escrow account provides protection for any breaches of indemnities. This escrow account consists of 10% of the purchase price in Enron shares and will be released one year after the acquisition. No recourse for Enron exists beyond the one-year escrow account.
T1 Business	EBS will need to decide whether to deploy resources to expand/continue this business or to close it down. EBS Enterprise Services team is meeting with WarpSpeed management this week to examine this issue. If the decision is made to discontinue the business, the exposure is expected to be less than $2MM.

EC004401926

KEY SUCCESS FACTORS

	NA	Poor			Excellent
Core Business					x
Strategic Fit					x
Upside Potential				x	
Management	x				
Risk Mitigation*			x		

* The risks of transaction are not fully mitigated. However, buying WarpSpeed significantly reduces the operational/developmental risks of EBS going forward.

OTHER RAC COMMENTS:

Over a 3-year period, equity investors, mainly venture capitalists, had invested $35mm into WarpSpeed.

Enron Corp will be granting registration rights in connection with the issuance of Enron common stock for this transaction.

APPROVALS	Name	Signature	Date
Commercial	Mark Russ		
Commercial	Rich DiMichele		
Technical	John Griebling		
Technical	Dorn Hetzel		
Legal	Kristina Mordaunt		
Accounting	Todd Lindholm		
RAC Management	Rick Buy/Dave Gorte	[signature]	30 March 2000
Commercial Management	Joe Hirko/Ken Rice/Kevin Hannon		
Enron Capital Management	Andy Fastow/ Jeff McMahon		
ENE Management	Jeffrey Skilling/Joe Sutton	[signature]	3/31/00

EC004401927

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business				x
Strategic Fit				x
Upside Potential			x	
Management	x			
Risk Mitigation*			x	

*Buying WarpSpeed reduces the operational/developmental risks of EBS going forward.

OTHER RAC COMMENTS:

Over a 3-year period, equity investors, mainly venture capitalists, had invested $35mm into WarpSpeed.

Enron Corp will be granting registration rights in connection with the issuance of Enron common stock for this transaction.

APPROVALS	Name	Signature	Date
Commercial	Mark Russ	[signature]	3/29/00
Commercial	Rich DiMichele	[signature]	
Technical	John Griebling		
Technical	Dorn Hetzel		
Legal	Kristina Mordaunt		
Accounting	Todd Lindholm	[signature]	3/31/00
RAC Management	Rick Buy/Dave Gorte		
Commercial Management	Joe Hirko/Ken Rice/Kevin Hannon		
Enron Capital Management	Andy Fastow/ Jeff McMahon		
ENE Management	Jeffrey Skilling/Joe Sutton		

EC004401928

EXH003-01242

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business				x
Strategic Fit				x
Upside Potential			x	
Management	x			
*Risk Mitigation**			x	

*Buying WarpSpeed reduces the operational/developmental risks of EBS going forward.

OTHER RAC COMMENTS:

Over a 3-year period, equity investors, mainly venture capitalists, had invested $35mm into WarpSpeed.

Enron Corp will be granting registration rights in connection with the issuance of Enron common stock for this transaction.

APPROVALS	Name	Signature	Date
Commercial	Mark Russ		
Commercial	Rich DiMichele		
Technical	John Griebling	John T. Griebling	02/10/00
Technical	Doru Hetzel		
Legal	Kristina Mordaunt		
Accounting	Todd Lindholm		
RAC Management	Rick Buy/Dave Gorte		
Commercial Management	Joe Hirko/Ken Rice/Kevin Hannon		
Enron Capital Management	Andy Fastow/ Jeff McMahon		
ENE Management	Jeffrey Skilling/Joe Sutton		

RAC Deal Approval Sheet **Deal Name: AHI**

KEY SUCCESS FACTORS

	NA	Poor	Excellent
Core Business			x
Strategic Fit			x
Upside Potential		x	
Management	x		
Risk Mitigation*		x	

*Buying WarpSpeed reduces the operational/developmental risks of EBS going forward.

OTHER RAC COMMENTS:

Over a 3-year period, equity investors, mainly venture capitalists, had invested $35mm into WarpSpeed.

Enron Corp will be granting registration rights in connection with the issuance of Enron common stock for this transaction.

APPROVALS	Name	Signature	Date
Commercial	Mark Russ		
Commercial	Rich DiMichele		
Technical	John Griebling		
Technical	Dorn Hetzel		3/29/2000
Legal	Kristina Mordaunt		
Accounting	Todd Lindholm		
RAC Management	Rick Buy/Dave Gorte		
Commercial Management	Joe Hirko/Ken Rice/Kevin Hannon		
Enron Capital Management	Andy Fastow/ Jeff McMahon		
ENE Management	Jeffrey Skilling/Joe Sutton		

EC004401930

EXH003-01244

RAC Deal Approval Sheet **Deal Name: AHI**

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business				x
Strategic Fit				x
Upside Potential			x	
Management	x			
Risk Mitigation*			x	

*Buying WarpSpeed reduces the operational/developmental risks of EBS going forward.

OTHER RAC COMMENTS:

Over a 3-year period, equity investors, mainly venture capitalists, had invested $35mm into WarpSpeed.

Enron Corp will be granting registration rights in connection with the issuance of Enron common stock for this transaction.

APPROVALS	Name	Signature	Date
Commercial	Mark Rust		
Commercial	Rich DiMichele		
Technical	John Griebling		
Technical	Dorn Hetzel	[signature]	3/29/2000
Legal	Kristina Mordaunt		
Accounting	Todd Lindholm		
RAC Management	Rick Buy/Dave Gorte		
Commercial Management	Joe Hirko/Ken Rice/Kevin Hannon	[signature]	3/31/00
Enron Capital Management	Andy Fastow/ Jeff McMahon		
ENE Management	Jeffrey Skilling/Joe Sutton		

EC004401931

EXH003-01245

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business				x
Strategic Fit				x
Upside Potential			x	
Management	x			
Risk Mitigation				x

OTHER RAC COMMENTS:

Over a 3-year period, equity investors, mainly venture capitalists, had invested $35mm into WarpSpeed.

Enron Corp will be granting registration rights in connection with the issuance of Enron common stock for this transaction.

APPROVALS	Name	Signature	Date
Commercial	Mark Russ		
Commercial	Rich DiMichele		
Technical	John Griebling		
Technical	Dorn Hetzel		
Legal	Kristina Mordaunt	K. Mordaunt	
Accounting	Todd Lindholm		
RAC Management	Rick Buy/Dave Gorte		
Commercial Management	Joe Hirko/Ken Rice/Kevin Hannon		
Enron Capital Management	Andy Fastow/ Jeff McMahon		
ENE Management	Jeffrey Skilling/Joe Sutton		

EC004401932

RAC Deal Approval Sheet

Deal Name: AHI

Global Finance Summary (addendum to DASH)

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$56.850MM
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$56.850MM

2. **Investment terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

Describe (if necessary): The investment is being made using 635,718 Enron shares and #9,159,000 in cash. To the extent that Enron share prices vary, the cost of the investment will change.

3. **Financing terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ☐ Unrestricted ☐ Legally Restricted ☒ Practically Restricted

Describe (if necessary):

5. **Any recourse to Enron (other than investment):** ☒ Recourse ☐ No Recourse

Describe (if any): Enron Corp will be granting registration rights in connection with the issuance of Enron common stock.

6a. **Business unit intent to syndicate:** ☒ None ☐ Partial ☐ All

Describe (if necessary):

6b. **Intended Enron hold period:** This is a strategic investment.

6c. **Likely Syndication Market:** ☐ Industry/Strategic Partner ☐ Direct Private Equity
- ☐ Capital Markets
- ☐ JEDI 2
- ☐ LJM 1 or 2
- ☐ Other: ____________
- ☐ JEDI 1
- ☐ Enserco
- ☐ Condor
- ☐ Margaux

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☒ No

Global Finance Representative: [signature] LAWRENCE M. LAWYER 3/29/00

Signature Name (Printed) Date

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EC004401933

EXH003-01247

S-2

EC004401934

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: BellSouth PoP Deployment
Counterparty: BellSouth Telecommunications, Inc.
Business Unit: ECI
Business Unit Originator: Nate Alvord
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: March 17, 2000
RAC Analyst: David Crews
Investment Type: Capital Expenditure
Capital Funding Source(s): Balance Sheet
Expected Closing Date: March 17, 2000
Expected Funding Date: April 15, 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment	Year 1	up to	$ 2.275 million
	Year 2	up to	$ 3.750 million
	Total	up to	$ 6.025 million

EXPOSURE SUMMARY

	Per Location	Total
1) Enron Firm Commitment		
Signing Bonus		$ 250,000
Tier 1 DSL Payment (3 locations)		
Year 1	$200,000	$ 600,000
Year 2	$250,000	$ 750,000
Total – Enron Firm Commitment		**$1,600,000**
2) Enron Commitment based only on Bell South option		
Tier 1 Dedicated Lines – Year 1	$ 60,000	$ 180,000
Tier 1 Dial up - Year 1	$ 40,000	$ 120,000
Tier 1 Dedicated Lines and Dial up - Year 2	$ 250,000	$ 750,000
Total – Enron Commitment based on Bell South Option		**$ 1,050,000**
Total Enron Obligation		***$2,650,000***
3) Enron Options		
Tier 2 – DSL Payments (9 locations)		
Year 1	$ 90,000	$ 810,000
Year 2	$ 125,000	$ 1,125,000
Total Enron Options		**$ 1,935,000**
4) Bell South Contingent Puts		
Tier 2 Dedicated Lines – Year 1	$ 20,000	$ 180,000
Tier 2 Dial up – Year 1	$ 15,000	$ 135,000
Tier 2 Dedicated Lines and Dial up – Year 2	$ 125,000	$ 1,125,000
Total – Bell South Contingent Puts		**$ 1,440,000**
Maximum Potential Enron Exposure		***$ 6,025,000***

EC004401935

DEAL DESCRIPTION

Enron would pay up to $6.025 million to BellSouth for the right to locate Enron equipment in BellSouth facilities in 12 priority locations with access to 15 markets over a 2 year period. Enron is obligated to pay for the three Tier 1 locations (Atlanta, Miami, New Orleans) for 2 years if Bell South performs under the contract. If Bell South provides access to their dedicated and dial up customers, Enron is obligated to pay for these customers as described in the Exposure Summary. Approximately 50% of Bell South's DSL lines are in these three markets, which makes these locations the priority for this investment.

Enron has the option to locate in the Tier 2 cities (Nashville, Birmingham, Baton Rouge, Charlotte, Orlando, Jacksonville, Louisville, Memphis, and Raleigh), but is under no obligation to do so. Only Orlando is on Enron's current network. The value of these sites will depend on how quickly Enron can incorporate them into the network. Once Enron commits to a Tier 2 location, Bell South has the option of providing access to their dedicated and dial up customers for the payments described above.

Enron will pay an additional bonus of $250,000 if the agreement is signed on or prior to March 16, 2000. Half of this signing bonus is refundable if Bell South terminates the agreement after the 3 month Atlanta location beta test period.

As of December 31,1999, Bell South had 30,000 DSL subscribers, demand for 4,000 DSL lines per week, and was provisioning 1,400 DSL lines per week. Bell South is targeting a goal of 1,200 DSL lines per day through more effective provisioning techniques including self installation for a **12/31/00 target of at least 200,000.** Bell South estimates that they currently have between 50,000 and 70,000 dedicated circuits and 750,000 narrowband customers.

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
Enron Equity	$ 6,025,000	Tier 1 Sites	2,400,000
		Tier 2 Sites	3,375,000
		Bonus Payment	250,000
Total	$ 6,025,000		6,025,000

RETURN SUMMARY

These payments would provide quick access to the customer base of BellSouth, which has a fast-growing pool of DSL subscribers. It is not possible to justify this investment based on Enron's current level of content. This investment provides an option that is valuable in attracting content and provides increased revenue as new content is contracted. Two methods have been used to put this into context.

1) An alternative approach to fixed payments for collocation had been a 10% revenue share. Under that arrangement, Enron would need to generate $28 million from the Tier 1 sites and $34 million, if all Tier 2 sites are deployed, over the next two years to justify the payment made. The ability to recognize this revenue will be impacted by the speed of deployment into the POPs.

2) To justify the colocation in the Tier 1 locations, Enron would need the Bell South customers (DSL, dedicated line, dial-up) to spend an average of 21 minutes per month watching Enron content (assuming equipment is fully depreciated over 2 years, 26 minutes during the first term, and 16 minutes during the second term). This would compare to the US West deal which would require 26 minutes per month of Enron content for year 1. The assumptions for this analysis are broad but have been added to try and put the upfront payment amount into context.

CASH FLOW SUMMARY

Year One:	
$250,000 bonus payment	March 16, 2000 (payable within 30 days of March 16 execution date)
$300,000 (x3) priority sites	$300,000 per each Tier 1 site deployed for DSL, dedicated lines, and dial up
$125,000 (x9) other priority sites	$125,000 per each Tier 2 site deployed for DSL, dedicated lines, and dial up
Year Two:	
$500,000 (x3) priority sites	$500,000 per each Tier 1 site renewed for DSL, dedicated lines, and dial up
$250,000 (x3) other priority sites	$250,000 per each Tier 2 site renewed for DSL, dedicated lines, and dial up

If the Tier 1 sites are not deployed one year after execution of the agreement, through no fault of BellSouth, Enron is obligated to make full payment ($1.15 million less amounts already paid) but retains the right to deploy in the sites for the remaining term of the deal.

EXIT STRATEGY

The agreement lasts for two years, but there is no obligation to service or pay for Tier 2 locations in either year.

EC004401936

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Content Delivery	Enron needs to be able to deliver ePowered content for 23 minutes average to all the DSL customers to recover the costs of colocating. Currently, EBS does not have enough content to recover this cost. The added reach should help EBS' marketing for additional content.
Applications	Enron is obligated to give Bell South 30 days written notice of new applications streamed by Enron (specifically interactive applications). If Bell South determines that such application will materially adversely affect its network, service or customers, the parties will try to negotiate a solution. If a solution is not negotiated, Bell South has the right to block that application or all applications.
Access to Network	The Tier 1 sites (Atlanta, Miami/South Florida, New Orleans) are on Enron's current network. If Enron fails to make all three Tier 1 locations commercially operational within 9 months of the effective, through no fault of Bell South, the agreement terminates 12 months after the Atlanta location becomes commercially operational, with full payment for Year One Tier One locations payable. Of the Tier 2 sites, only Orlando is on Enron's current network. To obtain value from these sites, they will need to be connected to the Enron network through either satellite or fiber networks. EBS will have to pay the full fixed payment for a partial year of deployment Enron is not obligated to make payments relating to Tier 2 sites.
Test Period	During the first 3 months of the Agreement, Bell South will beta test at its Atlanta location, and may conclude that the agreement should be terminated. In the event this happens, Bell South will refund $125,000 of the signing bonus and Enron will remove its equipment.
Renewal	The parties agree to work toward mutually agreeable compensation for Bell South in year two, but the agreement automatically renews for a second year with Bell South's compensation per location renewed as specified in the agreement. Enron is not obligated to bring up any of the Tier 2 locations during the first year.

OTHER RAC COMMENTS:
The economics for deployment at a Tier 2 site will vary dramatically with the time remaining under the contract. The contract structure may cause a delay in deployment in these sites, or a separate negotiation outside of this contract.

APPROVALS	Name	Signature	Date
Commercial Mgmt.	Nate Alvord		
Commercial Mgmt.	David Cox		
Regional Mgmt.	Joe Hirko/ Ken Rice		
Legal	Kristina Mordaunt		
Accounting	Tod Lindholm	[signature]	3/17/00
RAC Management	Rick Buy/ David Gorte		
Enron Capital Management	Andy Fastow/Jeff McMahon		3/17/00
ENE Management	Jeff Skilling/Joe Sutton	[signature]	

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EC004401937

EXH003-01251

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Content Delivery	Enron needs to be able to deliver ePowered content for 23 minutes average to all the DSL customers to recover the costs of colocating. Currently, EBS does not have enough content to recover this cost. The added reach should help EBS' marketing for additional content.
Applications Streamed by Enron (specifically interactive applications)	Enron is obligated to give Bell South 30 days written notice of new applications. If Bell South determines that such application will materially adversely affect its network, service or customers, the parties will try to negotiate a solution. If a solution is not negotiated, Bell South has the right to block that application or all applications.
Access to Network	The Tier 1 sites (Atlanta, Miami/South Florida, New Orleans) are on Enron's current network. If Enron fails to make all three Tier 1 locations commercially operational within 9 months of the effective, through no fault of Bell South, the agreement terminates 12 months after the Atlanta location becomes commercially operational, with full payment for Year One Tier One locations payable. Of the Tier 2 sites, only Orlando is on Enron's current network. To obtain value from these sites, they will need to be connected to the Enron network through either satellite or fiber networks. EBS will have to pay the full fixed payment for a partial year of deployment Enron is not obligated to make payments relating to Tier 2 sites.
Test Period During first 3 months of Agreement	Bell South will beta test at its Atlanta location, and may conclude that the agreement should be terminated. In the event this happens, Bell South will refund $125,000 of the signing bonus and Enron will remove its equipment.
Renewal	The parties agree to work toward mutually agreeable compensation for Bell South in year two, but the agreement automatically renews for a second year with Bell South's compensation per location renewed as specified in the agreement. Enron is not obligated to bring up any of the Tier 2 locations during the first year.

OTHER RAC COMMENTS:
The economics for deployment at a Tier 2 site will vary dramatically with the time remaining under the contract. The contract structure may cause a delay in deployment in these sites, or a separate negotiation outside of this contract.

APPROVALS	Name	Signature	Date
Commercial Mgmt.	Nate Alvord		
Commercial Mgmt.	David Cox		
Regional Mgmt.	Joe Hirko/ Ken Rice		
Legal	Kristina Mordaunt	Kristina Mordaunt	
Accounting	Tod Lindholm		
RAC Management	Rick Buy/ David Gorte		
Enron Capital Management	Andy Fastow/Jeff McMahon		
ENE Management	Jeff Skilling/Joe Sutton		

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Content Delivery	Enron needs to be able to deliver ePowered content for 23 minutes average to all the DSL customers to recover the costs of colocating. Currently, EBS does not have enough content to recover this cost. The added reach should help EBS' marketing for additional content.
Applications	Enron is obligated to give Bell South 30 days written notice of new applications streamed by Enron (specifically interactive applications). If Bell South determines that such application will materially adversely affect its network, service or customers, the parties will try to negotiate a solution. If a solution is not negotiated, Bell South has the right to block that application or all applications.
Access to Network	The Tier 1 sites (Atlanta, Miami/South Florida, New Orleans) are on Enron's current network. If Enron fails to make all three Tier 1 locations commercially operational within 9 months of the effective, through no fault of Bell South, the agreement terminates 12 months after the Atlanta location becomes commercially operational, with full payment for Year One Tier One locations payable. Of the Tier 2 sites, only Orlando is on Enron's current network. To obtain value from these sites, they will need to be connected to the Enron network through either satellite or fiber networks. EBS will have to pay the full fixed payment for a partial year of deployment Enron is not obligated to make payments relating to Tier 2 sites.
Test Period	During the first 3 months of the Agreement, Bell South will beta test at its Atlanta location, and may conclude that the agreement should be terminated. In the event this happens, Bell South will refund $125,000 of the signing bonus and Enron will remove its equipment.
Renewal	The parties agree to work toward mutually agreeable compensation for Bell South in year two, but the agreement automatically renews for a second year with Bell South's compensation per location renewed as specified in the agreement. Enron is not obligated to bring up any of the Tier 2 locations during the first year.

OTHER RAC COMMENTS:
The economics for deployment at a Tier 2 site will vary dramatically with the time remaining under the contract. The contract structure may cause a delay in deployment in these sites, or a separate negotiation outside of this contract.

APPROVALS	Name	Signature	Date
Commercial Mgmt.	~~Nate Alvord~~ Ben Glisan/Sonberg	[signature]	3-17-00
Commercial Mgmt.	David Cox	[signature]	3/17/00
Regional Mgmt.	Joe Hirko/ Ken Rice		
Legal	Kristina Mordaunt		
Accounting	Tod Lindholm		
RAC Management	Rick Buy/ David Gorte		
Enron Capital Management	Andy Fastow/Jeff McMahon	[signature]	
ENE Management	Jeff Skilling/Joe Sutton		

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RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Content Delivery	Enron needs to be able to deliver ePowered content for 23 minutes average to all the DSL customers to recover the costs of colocating. Currently, EBS does not have enough content to recover this cost. The added reach should help EBS' marketing for additional content.
Applications	Enron is obligated to give Bell South 30 days written notice of new applications streamed by Enron (specifically interactive applications). If Bell South determines that such application will materially adversely affect its network, service or customers, the parties will try to negotiate a solution. If a solution is not negotiated, Bell South has the right to block that application or all applications.
Access to Network	The Tier 1 sites (Atlanta, Miami/South Florida, New Orleans) are on Enron's current network. If Enron fails to make all three Tier 1 locations commercially operational within 9 months of the effective, through no fault of Bell South, the agreement terminates 12 months after the Atlanta location becomes commercially operational, with full payment for Year One Tier One locations payable. Of the Tier 2 sites, only Orlando is on Enron's current network. To obtain value from these sites, they will need to be connected to the Enron network through either satellite or fiber networks. EBS will have to pay the full fixed payment for a partial year of deployment Enron is not obligated to make payments relating to Tier 2 sites.
Test Period	During the first 3 months of the Agreement, Bell South will beta test at its Atlanta location, and may conclude that the agreement should be terminated. In the event this happens, Bell South will refund $125,000 of the signing bonus and Enron will remove its equipment.
Renewal	The parties agree to work toward mutually agreeable compensation for Bell South in year two, but the agreement automatically renews for a second year with Bell South's compensation per location renewed as specified in the agreement. Enron is not obligated to bring up any of the Tier 2 locations during the first year.

OTHER RAC COMMENTS:
The economics for deployment at a Tier 2 site will vary dramatically with the time remaining under the contract. The contract structure may cause a delay in deployment in these sites, or a separate negotiation outside of this contract.

APPROVALS	Name	Signature	Date
Commercial Mgmt.	Nate Alvord		
Commercial Mgmt.	~~David Cox~~ STEPHEN LUGINBILL	[signature]	3/17/00
Regional Mgmt.	Joe Hirko/ Ken Rice		
Legal	Kristina Mordaunt		
Accounting	Tod Lindholm		
RAC Management	Rick Buy/ David Gorte		
Enron Capital Management	Andy Fastow/Jeff McMahon		
ENE Management	Jeff Skilling/Joe Sutton		

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EXH003-01254

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Content Delivery	Enron needs to be able to deliver ePowered content for 23 minutes average to all the DSL customers to recover the costs of colocating. Currently, EBS does not have enough content to recover this cost. The added reach should help EBS' marketing for additional content.
Applications	Enron is obligated to give Bell South 30 days written notice of new applications streamed by Enron (specifically interactive applications). If Bell South determines that such application will materially adversely affect its network, service or customers, the parties will try to negotiate a solution. If a solution is not negotiated, Bell South has the right to block that application or all applications.
Access to Network	The Tier 1 sites (Atlanta, Miami/South Florida, New Orleans) are on Enron's current network. If Enron fails to make all three Tier 1 locations commercially operational within 9 months of the effective, through no fault of Bell South, the agreement terminates 12 months after the Atlanta location becomes commercially operational, with full payment for Year One Tier One locations payable. Of the Tier 2 sites, only Orlando is on Enron's current network. To obtain value from these sites, they will need to be connected to the Enron network through either satellite or fiber networks. EBS will have to pay the full fixed payment for a partial year of deployment Enron is not obligated to make payments relating to Tier 2 sites.
Test Period	During the first 3 months of the Agreement, Bell South will beta test at its Atlanta location, and may conclude that the agreement should be terminated. In the event this happens, Bell South will refund $125,000 of the signing bonus and Enron will remove its equipment.
Renewal	The parties agree to work toward mutually agreeable compensation for Bell South in year two, but the agreement automatically renews for a second year with Bell South's compensation per location renewed as specified in the agreement. Enron is not obligated to bring up any of the Tier 2 locations during the first year.

OTHER RAC COMMENTS:
The economics for deployment at a Tier 2 site will vary dramatically with the time remaining under the contract. The contract structure may cause a delay in deployment in these sites, or a separate negotiation outside of this contract.

APPROVALS	Name	Signature	Date
Commercial Mgmt.	Nate Alvord		3·17·00
Commercial Mgmt.	David Cox		
Regional Mgmt.	Joe Hirko/ Ken Rice		
Legal	Kristina Mordaunt		
Accounting	Tod Lindholm		
RAC Management	Rick Buy/ David Gorte		
Enron Capital Management	Andy Fastow/Jeff McMahon		
ENE Management	Jeff Skilling/Joe Sutton		

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EXH003-01255

Global Finance Summary (addendum to DASH)

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$ 6,025
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$ 6,025

2. **Investment terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

   Describe (if necessary):

3. **Financing terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

   Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ☐ Unrestricted ☐ Legally Restricted ☒ Practically Restricted

   Describe (if necessary): Capital expenditure on a 2 year asset

5. **Any recourse to Enron (other than investment):** ☐ Recourse ☒ No Recourse

   Describe (if any):

6a. **Business unit intent to syndicate:** ☒ None ☐ Partial ☐ All

   Describe (if necessary):

6b. **Intended Enron hold period: 2-year term**

6c. **Likely Syndication Market:**

- ☐ **Industry/Strategic Partner**
  - ☐ **Capital Markets**
  - ☐ **JEDI 2**
  - ☐ **LJM 1 or 2**
  - ☐ **Other:** ______________
- ☐ **Direct Private Equity**
  - ☐ **JEDI 1**
  - ☐ **Enserco**
  - ☐ **Condor**
  - ☐ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☒ No

Global Finance Representative: [signature] Larry Lawyer 3/17/00

Signature Name (Printed) Date

EC004401942

EXH003-01256

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Content Delivery	Enron needs to be able to deliver ePowered content for 23 minutes average to all the DSL customers to recover the costs of colocating. Currently, EBS does not have enough content to recover this cost. The added reach should help EBS' marketing for additional content.
Applications	Enron is obligated to give Bell South 30 days written notice of new applications streamed by Enron (specifically interactive applications). If Bell South determines that such application will materially adversely affect its network, service or customers, the parties will try to negotiate a solution. If a solution is not negotiated, Bell South has the right to block that application or all applications.
Access to Network	The Tier 1 sites (Atlanta, Miami/South Florida, New Orleans) are on Enron's current network. If Enron fails to make all three Tier 1 locations commercially operational within 9 months of the effective date, through no fault of Bell South, the agreement terminates 12 months after the Atlanta location becomes commercially operational, with full payment for Year One Tier One locations payable. Of the Tier 2 sites, only Orlando is on Enron's current network. To obtain value from these sites, they will need to be connected to the Enron network through either satellite or fiber networks. EBS will have to pay the full fixed payment for a partial year of deployment Enron is not obligated to make payments relating to Tier 2 sites.
Test Period	During the first 3 months of the Agreement, Bell South will beta test at its Atlanta location, and may conclude that the agreement should be terminated. In the event this happens, Bell South will refund $125,000 of the signing bonus and Enron will remove its equipment. Enron will be out a net $125,000 in this event
Renewal	The parties agree to work toward mutually agreeable compensation for Bell South in year two, but the agreement automatically renews for a second year with Bell South's compensation per location renewed as specified in the agreement. Enron is not obligated to bring up any of the Tier 2 locations during the first year.

OTHER RAC COMMENTS:
The economics for deployment at a Tier 2 site will vary dramatically with the time remaining under the contract. The contract structure may cause a delay in deployment in these sites, or a separate negotiation outside of this contract.

APPROVALS	Name	Signature	Date
Commercial Mgmt.	~~Nate Alvord~~ Ben Glisenbery	[signature]	3-17-00
Commercial Mgmt.	David Cox		
Regional Mgmt.	Joe Hirko/ Ken Rice	[signature]	3/17/00
Legal	Kristina Mordaunt		
Accounting	Tod Lindholm		
RAC Management	Rick Buy/ David Gorte	[signature]	3/20/00
Enron Capital Management	Andy Fastow/Jeff McMahon		
ENE Management	Jeff Skilling/Joe Sutton		

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EXH003-01257

S-3

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Condensing Turbine
Counterparty: ETOL- Wilton Power Station
Business Unit: UK Origination
Business Unit Originator: Matthew Scrimshaw
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: 07/04/00
RAC Analyst: Moises Woll / Renata Frankova
Investment Type: Capital Expenditure
Capital Funding Source(s): Balance Sheet
Expected Closing Date: Q2 2000
Expected Funding Date: Q2 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Amount: Up to $11M (£6.9M)

Purpose: To increase the Wilton Power Station's steam condensing and electrical generation capacity.

Requirements: 1) The transaction's NPV will be recalculated at the time of closing of the transaction with an updated power curve.
2) ABB to submit a foundation study and revised consolidated bidding document (including milestone program) before the contract is signed.

EXPOSURE SUMMARY

Commodity Exposure: NA

Associated Guarantees: NA

Existing Exposure:	$ 79.5 M (ETOL investment value)
This transaction	$ 11.0 M
Total:	$ 90.5 M

DEAL DESCRIPTION

Enron Capital & Trade Resources (ECTRL), on behalf of Enron Teeside Operations Limited (ETOL), plans to invest $11M at the Wilton Power Station to increase its steam condensing and electrical generation capacity. The project involves the re-commissioning of a low-pressure turbo alternator (Secondary 4) as a fully condensing machine.

The fully condensing machine will generate up to 34 MW of additional power, which will be sold to internal customers (ICI Chlorchems, ICI Olefines, and Dupont Melanar) at the Wilton site. This large, integrated petrochemical and manufacturing site depends on ETOL for the supply of utilities, with Wilton Power Station providing power and steam at intermediate and low pressures.

Currently, customers at the Wilton site need approximately 70 MW in excess of what the Wilton Power Station can produce. With the implementation of Secondary 4, the power plant will increase its capacity by 34 MW, therefore reducing the amount of energy being imported from the grid. In addition, this investment will enable the Wilton Power Station to operate with more flexibility. It will allow up to 34 MW of additional power to be generated even if steam demand from internal customers decreases. This is possible since any excess steam not used by the chemical plants will be used to run Secondary 4. On the other hand, during extreme surges of steam demand, the turbine will run using steam from alternative sources that are delivered to the ETOL site.

Third party contractors will manage re-commissioning of the turbine. The condensing turbine will be owned and operated by Enron Teeside Operations Limited (ETOL). ECTRL will provide the capital required for the project and receive the revenues from the electricity sold to internal customers at the ETOL site under the Capacity Tolling Agreement (CTA) between ECTRL and ETOL.

The Wilton boilers (spare boiler capacity) and TPL will supply the steam for the condensing turbine, with a maximum capacity of 175 tones of steam per hour. Under the Steam Site Services Agreement (SSSA), ETOL has the right to use 684 tones of steam per hour from TPL. Currently, ETOL receives a credit calculated at the start of the month for any steam they do not use. Therefore any TPL steam used in the condensing turbine will reduce the credit and this has been reflected as a cost in the project economics.

EC004401945

EXH003-01259

TRANSACTION SOURCES AND USES OF FUNDS ('000s)

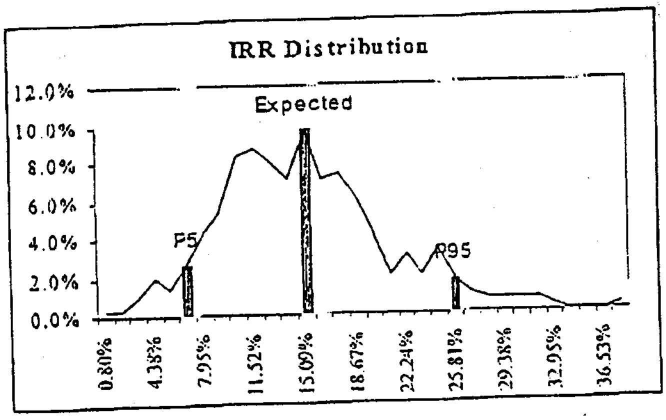
	Sources		Uses
Enron Balance Sheet	$11,000	Capex	$11,000
Total	$11,000	Total	$11,000

RETURN SUMMARY ('000s)

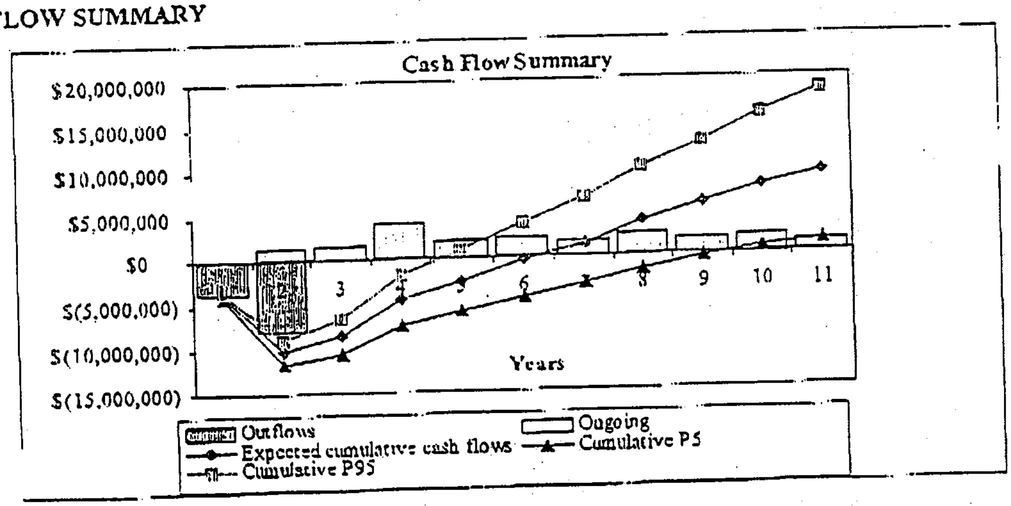
Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	($9,707)	-
Fees	-	-
Intermed. Cash Flows	$10,106	14.78%
Terminal Value		
Total NPV	$414	14.78%

Capital Price Components	
Risk free rate (%):	6.20
Equity/Credit premium (%):	
Country Premium (%):	-
Transaction-Specific (%):	7.40*
RAC CAPITAL PRICE:	13.60%

* 6.7% for general ETOL risk (as per pricing at the time of acquisition) + 0.7% for construction risk



CASH FLOW SUMMARY



TRANSACTION UPSIDES/OPTIONALITY

The project greatly increases the optionality of the plant, with potential upsides from the leverage of the increased security of supply, and upsides from new business opportunities. The project also fits in well with future growth strategies of the Wilton power station.

- *Enhanced plant operation:* The optionality provided by the new turbine improves the operational flexibility and efficiency of the plant. It also enhances the security of supply for steam customers, since the steam used in the condensing turbine is immediately available for site usage when one of the chemical plants suddenly needs additional steam. The improved security of supply can be leveraged in future steam contract negotiations.

- *New Business opportunities:* The security of supply improves the long-term competitive advantage of the Wilton Site. There is also an option value associated with the project from HP steam sale opportunities to existing customers. For example, DuPont requires HP steam to be available at all times. With Secondary 4 in place, this can be achieved quicker than if the boilers at the Wilton site had to suddenly be ramped up, thus increasing the output to meet the HP steam demands of DuPont.
- *Asset development and growth strategy:* The turbine is a key building block for future asset strategies, such as the re-commissioning of a mothballed coal boiler (relevant should site steam demand increase), as well as plans to re-power the station with a set of gas turbines. Overall, signing up new customers is more beneficial to ETOL even though an increase in steam demand by itself has a negative impact on the project economics.

EXIT STRATEGY
N/A

RISK MATRIX (Main 5 Risks Only)

DESCRIPTION	MITIGATION/COMMENTS
Steam Demand	On-site steam demand may place restrictions on the operation of Secondary 4. If steam demand increases, less spare steam capacity is available to be used in Secondary 4 since the meeting of steam demand requirements from the Wilton site is a priority. In that case, the remaining (supplemental) volume necessary for running Secondary 4 would be purchased from TPL, thus incurring an additional cost. On the other hand, on a deterministic case, if steam demand falls by 10% beyond current levels (389te/hr), the value of the project increases by approximately £2M. The future volume of on-site steam demand has a fair amount of uncertainty. However, in the absence of new chemical plant expansion there is a general expectation by the ETOL team that it will slowly decrease, based on historical data from the chemical plants. Therefore, all things being equal it is likely that there will be excess steam to run Secondary 4. Installation of the condensing turbine will also reduce the volume of excess steam being vented through the venting and heat exchange capabilities. Instead of venting excess steam, it will be used to operate Secondary 4. This is particularly valuable as current venting licenses may be withdrawn in the future by environmental agencies.
Electricity Demand	Risk that on-site demand is not sufficient to absorb additional 34 MW. The Wilton site is currently importing 70 MW from the grid to satisfy on-site demand. The new equipment will replace up to 34 MW of the imported electricity. ETOL does not currently have a license to export power to the grid if a significant decrease in demand occurs. However, the ETOL team believes it is unlikely that the electricity demand will decrease below the generation capacity of the Wilton Power Station (including the additional 34MW). For such an event to happen (which would imply an economic loss to the project), several industrial customers would have to shut down, at one time, for an extended period.

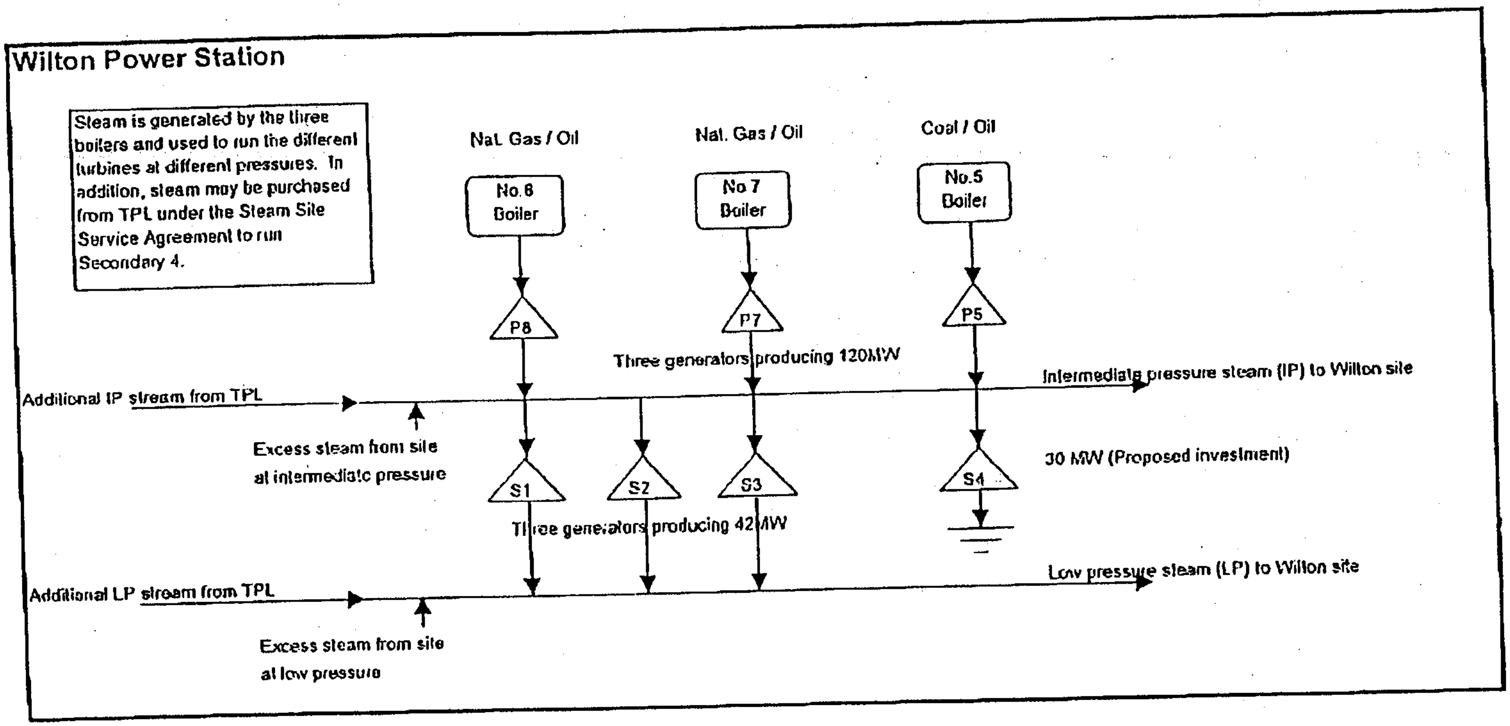
Cost Overruns /Delays	Risk that it is not possible to convert Secondary 4 to a condensing set meeting the required performance criteria, within a reasonable cost, currently estimated at $11M. This risk is more significant than one would incur in a greenfield project for example because of the number of interfaces with other existing systems in the plant. In order to reduce this risk ETOL will sign a fixed price contract with ABB under which some risks will be transferred to them.
Availability	Risk that the availability of 97% assumed in the economics of the model is not achieved. Provisions for maintenance has been estimated to be 2 weeks per year when the turbine is not running. Other planned maintenance will take place during off-peak hours. Maintenance time has been aligned to that of the boilers in order to maximize the overall efficiency of the site.
Commodity Risk	Risk that power pool prices decrease down to the cost of marginal fuel (gas or HFO) reducing the margin from condensing generation. The power desk will hedge this risk on its book at the time of closing of this transaction.

KEY SUCCESS FACTORS

	NA	Poor			Excellent
					X
Core Business				X	
Strategic Fit			X		
Upside Potential	X				
Management			X		
Risk Mitigation					

OTHER RAC COMMENTS:

The valuation model used for the analysis of this deal (the Watershed model) involves the use of rainbow options to calculate the least expensive fuel, when Secondary 4 will be turned on or off, etc. Given that the use of rainbow option valuation incorporates the volatility of fuel and electricity prices it wouldn't be correct to further simulate these variables using Monte Carlo simulation. Thus, the only variables that were subject to Monte Carlo simulation were future steam demand and estimated capital costs, two main risks in this transaction.



EC004401949

Deal Name: Condensing Turbine

RAC Deal Approval Sheet

Global Finance Summary (addendum to DASH)

1. Transaction Summary

	Amount ($000)
Total Deal/Project Capital Commitment	$11,000
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$11,000

2. Investment terms and pricing: ☐ Market ☐ Above Market ☐ Below Market

   Describe (if necessary): N/A.

3. Financing terms and pricing: ☐ Market ☐ Above Market ☐ Below Market

   Describe (if necessary): N/A.

4. Legal or practical liquidity restrictions: ☐ Unrestricted ☐ Legally Restricted ☒ Practically Restricted

   Describe (if necessary): N/A.

5. Any recourse to Enron (other than investment): ☐ Recourse ☐ No Recourse

   Describe (if any): BALANCE SHEET FUNDED.

6a. Business unit intent to syndicate: ☑ None ☐ Partial ☐ All

   Describe (if necessary):

6b. Intended Enron hold period: N/A.

6c. Likely Syndication Market: N/A

☐ Industry/Strategic Partner
☐ Capital Markets
☐ JEDI 2
☐ LJM 1 or 2
☐ Other: __________

☐ Direct Private Equity
☐ JEDI 1
☐ Enserco
☐ Condor
☐ Margaux

6d. Is this a JEDI 2 "Qualified Investment"? ☐ Yes ☑ No

Global Finance Representative: [signature] DAVE EDWARDS 12/4/00.

Signature Name (Printed) Date

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EC004401950

EXH003-01264

Deal Name: Condensing Turbine

RAC Deal Approval Sheet

APPROVALS	Name	Signature	Date
Business Originator	Matthew Scrimshaw		10/4/00
Regional Mgmt.	Mark Frevert		13-4-00
Legal	Michael Brown		
RAC Management	Dave Gorte		14 April 2000
	Steve Young		12/4/00
Enron Global Finance	Jeff McMahon		
	Paul Chivers		12/4/00
ENE Management	Joe Sutton		14/4/00

Deal Name: Condensing Turbine

RAC Deal Approval Sheet

APPROVALS	Name	Signature	Date
Business Originator	Matthew Scrimshaw		12/4/00
Regional Mgmt.	Mark Frevert		
Legal	SCH Michael Brown	MWBrown	
RAC Management	Dave Gorte		
	Steve Young		
Enron Global Finance	Jeff McMahon		
	Paul Chivers		
ENE Management	Joe Sutton		

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EXH003-01266

S-4

EC004401953

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: EcoElectrica-Working Capital
Counterparty: EcoElectrica, L.P.
Business Unit: Enron Caribbean Basin
Business Unit Originator: Daniel Castagnola
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: 13 April 2000
RAC Analyst: Daniella Carneiro
Investment Type: Working Capital Facility
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 13 April 2000
Expected Funding Date: 13 April 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Working Capital Facility
The Caribbean Basin Region is requesting approval to provide a short-term, $9.00 MM Working Capital Facility to Enron's 47.5% owned investment, EcoElectrica, L.P (the "Project"). The proceeds will be used to provide liquidity to cover expenses of the Project for a period of not more than 12 months.

Enron Guarantee
Enron as sponsor of the Project is also requesting a $2.75 MM guarantee in order to release cash deposits held by Bank of America securing an irrevocable stand by letter of credit entered into by the Project, as security for the payment for LPG to its supplier. Mission Edison will provide a similar guarantee. The Guarantee is expected to expire in August 2000 when the Project's facility begins running on LNG.

EXPOSURE SUMMARY

Working Capital Facility	$9.00 MM
Enron Guarantee	$2.75 MM
Total	$11.75 MM *

** This is incremental to the existing $33.5MM initial equity investment in EcoElectrica, and the subsequent $95.0MM equity investment to unwind the "Churchill" FASB 125 transaction.*

DEAL DESCRIPTION

Working Capital Facility
Enron Caribbean Basin wishes to provide the Project with a short-term working capital facility to pay for ongoing expenses during the initial operating period, not expected to exceed 12 months. The facility will be an unsecured subordinated loan to the Project, however, senior to all existing subordinated debt at the Project. This is senior to Enron's other positions in EcoElectrica. The maturity will not exceed 12 months from the closing date, and the pricing is expected to be PRIME + 200bps with a default interest rate to include an additional 2%.

Summary of Key Terms:
- **Tenor:** up to 12 months.
- **Security:** Unsecured loan.
- **Interest rate:** Unsecured rate is a floating rate equal to PRIME plus a margin of 2.00% p.a.
- **Default interest rate:** 2.00% p.a. over and above the unsecured rate.
- **Payment Schedule:** Based on EcoElectrica's cash availability.
- **Seniority:** Proposed Working Capital Facility will be senior to Sub-notes Payable to Enron and Mission Edison, and GE Preferred investment. Will be subordinated to senior debt.

ENE Guarantee
On July 1,1999 the Project established a $5.5 MM Irrevocable Standby Letter of Credit (the "LC") in favor of its current fuel supplier, Dynegy Global Liquids, as security for the payment of liquefied propane gas pursuant to a contract entered into on March 21, 1999. The LC, established with Bank of America N.T. & S.A. ("BoA"), is 100% cash collateralized, and the owners, Enron and Mission Edison, desire to place corporate guarantees in lieu of the cash deposit held as collateral (50% each). The $5.5 MM cash deposit will be released by BoA to the Project and used as additional working capital. The LC expires on June 28, 2000, but will be extended until August 30, 2000, at which time Enron's guarantee will have also expired.

Working Capital Facility & Guarantee

	Sources		Uses
Enron Balance Sheet	$9.00MM	EcoElectrica, L.P. (operating expenses)	$11.75MM
Enron Balance Sheet	$2.75MM		
Total	$11.75MM	Total	$11.75MM

RETURN SUMMARY

Working Capital

RAC's capital price for the working capital facility is PRIME + 50bps, or 9.50% p.a. as of today. Based upon RAC's analysis of the proposed working capital facility, RAC rates it the equivalent of a "BB"/"Ba2" or "E-7" risk.

The comparative analysis below indicates that Enron will be charging above market rates (prime + 200bps) for the working capital facility requested. Net available cash flows for 2000 are based on the deterministic model provided by the deal team for the analysis of the Churchill Unwind transaction (DASH 30 March 2000).

	Avg. Int. Rates	%Debt/Total Cap
Senior Debt	7.94%	70.87%
Existing W/C Facility	8.95%	3.53%
Proposed W/C Facility	11.0%	1.06%
Notes Payable	12.55%	4.01%
GE Preferred Investment	9.00%	12.34%

	2000
Net Available Cash Flows before proposed W/C Facility repayment	26,186
Interest payment on W/C Facility	(855)
Principal payment of W/C Facility	(9,000)
Net Available Cash Flows after proposed W/C Facility repayment	16,331

ENE Guarantee:

The RAC capital price for the ENE guarantee is 2.00%. This guarantee is also considered to be a "BB"/"Ba2" or "E-7" risk. Enron, however, will not charge a guarantee fee to the project, since Mission Edison, the other 50% equity holder in EcoElectrica, is putting up a guarantee in its ratable share of $2.75MM in the project at no cost. Therefore, there is no economic detriment to Enron in not assessing a fee on the $2.75 MM ENE Guarantee.

	Avg. Int. Rates	%Debt/Total Cap
ENE Guarantee	2.00%	0.32%

APPROVALS	Name	Signature	Date
Regional Originator	Daniel Castagnola	Daniel Castagnola	4/14/00
Region Management	David Haug		
Region Legal	Coralina Rivera or Ned Crady	George E. Crady	4/14/00
RAC Management	Rick Buy or Dave Gorte		
Enron Capital Management	Andy Fastow or Jeff McMahon	J McMahon	4/14/00
Office of the Chairman	Joe Sutton	Joe W. Sutton	4/14/00

Working Capital Facility & Guarantee

	Sources		Uses
Enron Balance Sheet	$9.00MM	EcoElectrica, L.P. (operating expenses)	$11.75MM
Enron Balance Sheet	$2.75MM		
Total	$11.75MM	Total	$11.75MM

RETURN SUMMARY

Working Capital
RAC's capital price for the working capital facility is PRIME + 50bps, or 9.50% p.a. as of today. Based upon RAC's analysis of the proposed working capital facility, RAC rates it the equivalent of a "BB"/"Ba2" or "E-7" risk.

The comparative analysis below indicates that Enron will be charging above market rates (prime + 200bps) for the working capital facility requested. Net available cash flows for 2000 are based on the deterministic model provided by the deal team for the analysis of the Churchill Unwind transaction (DASH 30 March 2000).

	Avg. Int. Rates	%Debt/Total Cap
Senior Debt	7.94%	70.87%
Existing W/C Facility	8.95%	3.53%
Proposed W/C Facility	11.0%	1.06%
Notes Payable	12.55%	4.01%
GE Preferred Investment	9.00%	12.34%

	2000
Net Available Cash Flows before proposed W/C Facility repayment	26,186
Interest payment on W/C Facility	(855)
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	Avg. Int. Rates	%Debt/Total Cap
ENE Guarantee	2.00%	0.32%

APPROVALS	Name	Signature	Date
Regional Originator	Daniel Castagnola	Daniel Castagnola	4/14/00
Region Management	David Haug		
Region Legal	Coralina Rivera or Ned Crady		
RAC Management	Rick Buy or Dave Gorte	David B. Gorte	14 April 2000
Enron Capital Management	Andy Fastow or Jeff McMahon		
Office of the Chairman	Joe Sutton		

Working Capital Facility & Guarantee

	Sources		Uses
Enron Balance Sheet	$9.00MM	EcoElectrica, L.P. (operating expenses)	$11.75MM
Enron Balance Sheet	$2.75MM		
Total	$11.75MM	Total	$11.75MM

RETURN SUMMARY

Working Capital
RAC's capital price for the working capital facility is PRIME + 50bps, or 9.50% p.a. as of today. Based upon RAC's analysis of the proposed working capital facility, RAC rates it the equivalent of a "BB"/"Ba2" or "E-7" risk.

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	Avg. Int. Rates	%Debt/Total Cap
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Notes Payable	12.55%	4.01%
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The RAC capital price for the ENE guarantee is 2.00%. This guarantee is also considered to be a "BB"/"Ba2" or "E-7" risk. Enron, however, will not charge a guarantee fee to the project, since Mission Edison, the other 50% equity holder in EcoElectrica, is putting up a guarantee in its ratable share of $2.75MM in the project at no cost. Therefore, there is no economic detriment to Enron in not assessing a fee on the $2.75 MM ENE Guarantee.

	Avg. Int. Rates	%Debt/Total Cap
ENE Guarantee	2.00%	0.32%

APPROVALS	Name	Signature	Date
Regional Originator	Daniel Castagnola		
Region Management	David Haug	[signature]	4/14/00
Region Legal	Coralina Rivera or Ned Crady		
RAC Management	Rick Buy or Dave Gorte		
Enron Capital Management	Andy Fastow or Jeff McMahon		
Office of the Chairman	Joe Sutton		

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RAC Deal Approval Sheet

Deal Name: EcoElectrica –Working Capital

Global Finance Summary (addendum to DASH)

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$11.75
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$11.75

2. **Investment terms and pricing:** ☐ Market ☒ Above Market ☐ Below Market

   Describe (if necessary):

3. **Financing terms and pricing:** ☐ Market ☒ Above Market ☐ Below Market

   Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ☒ Unrestricted ☐ Legally Restricted ☐ Practically Restricted

   Describe (if necessary):

5. **Any recourse to Enron (other than investment):** ☒ Recourse ☐ No Recourse

   Describe (if any):

6a. **Business unit intent to syndicate:** ☒ None ☐ Partial ☐ All

   Describe (if necessary): Due to the short-term nature of the commitments, syndication is not expected.

6b. **Intended Enron hold period:**

   Guarantee: 6 months
   Working capital facility: 12 months

6c. **Likely Syndication Market:**

- ☐ **Industry/Strategic Partner**
  - ☐ **Capital Markets**
  - ☐ **JEDI 2**
  - ☐ **LJM 1 or 2**
  - ☒ **Other:** ____________
- ☐ **Direct Private Equity**
  - ☐ **JEDI 1**
  - ☐ **Enserco**
  - ☐ **Condor**
  - ☐ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☒ No

Global Finance Representative: [signature] DAVID CASTAGNOLA 4/14/00

Signature Name (Printed) Date

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EC004401959

Original Dash
EIG

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Elba Island LNG Terminal
Counterparty: El Paso Corp./El Paso Merchant Energy
Business Unit: Enron Global LNG/CALME
Business Unit Originator: Doug Rotenberg
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: April 11, 2000
RAC Analyst: Farhad Ahad
Investment Type: Equity/Demand Charge
Capital Funding Source(s): Balance Sheet
Expected Closing Date: April 12, 2000
Expected Funding Date: Elba Island - October 2003
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☐Proceed with Transaction ☒Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED
The Enron Global LNG Group is requesting approval to enter into a 17-year LNG terminal capacity arrangement at a cost of $11.7MM-$13.1MM/year with El Paso Merchant Energy (EME) which holds 100% of the capacity of the Elba Island (Georgia) LNG terminal ("EIT"). Enron Global LNG's payment and obligations under the capacity agreement are to be guaranteed by Enron Corp.

Present Value of Expected Capacity Payments, Capital Price @ 17% $66.1 million ($2002)

FINANCIAL EXPOSURE SUMMARY

This Transaction: Nominal: $210.0 million; Discounted @ 17%: $66.1 million ($2002)

DEAL DESCRIPTION
The Enron Global LNG group (ELNG) has an option for LNG terminalling capacity and an option to sell 62 TBtu per year of natural gas produced from LNG to El Paso Energy or its affiliates at the EIT for a seventeen year period commencing in the first quarter of 2002. The strike price for gas sold under this option is Henry Hub plus $0.02/MMbtu. This contract/option has an exit provision, which gives ELNG the right to walk away at no cost, provided this option is exercised no later than April 12, 2000. In exchange for the right to sell this quantity of regassified natural gas, Enron pays El Paso a base fee for cost of service for 62 TBtu at the EIT of approximately $12 million per year and variable fees based upon throughput expected to approximate $6 million per year. Base fees escalate each year, reaching approximately $13 million in 2018, the last full year of this contract. Enron is committing to pay demand charges at EIT but is under no obligation to deliver LNG. EME is committing to take LNG (and pay for if not taken) properly nominated by ELNG. EME's obligations are secured by El Paso Corp.

The rationale for ELNG exercising this option and entering into this LNG terminalling agreement is to use the EIT for its own projects on a long-term basis (Jose, Venezuela LNG project), to sell Enron's rights to a third party for that entity's project (e.g., LNG projects from Trinidad, Algeria, or Nigeria), or to operate the EIT as a merchant facility and purchase LNG from a third party and sell it to EME and/or arrange short-, medium-, or long-term trades with third parties using the EIT and EME as the offtaker.

The EIT LNG facility was constructed by Sonat and was operational between 1977-1980, but it has been closed since 1980 as deregulation in the industry and lower than projected U.S. natural gas prices made this terminal uneconomic. The writedowns of the EIT (original cost basis $400MM) and the level of U.S. natural gas prices prevailing currently and projected on a forward basis have improved the economics of the terminal and thus re-commissioning of EIT is scheduled by 4/2002. The proposed ELNG agreement represents 36% of the EIT capacity and 60% of the output of the Jose LNG facility. British Gas has control of the remaining 64% and will pay approximately $20 million annually for this capacity to support its Trinidad LNG project.

ELNG has the right to sell regassified LNG to El Paso at Henry Hub + $0.02 in a market that following the reactivation of the EIT will trade at approximately Henry Hub less $0.05. ELNG can either deliver LNG when the option is in the money, firm up delivery if a higher price is offered or divert LNG volumes to higher value markets.

TRANSACTION SOURCES AND USES OF FUNDS ($000)

Uses for 17-year life of contract: nominal $210.0 million; PV@17%, $66.1 million ($2002)
Source of Funding: Enron Balance Sheet

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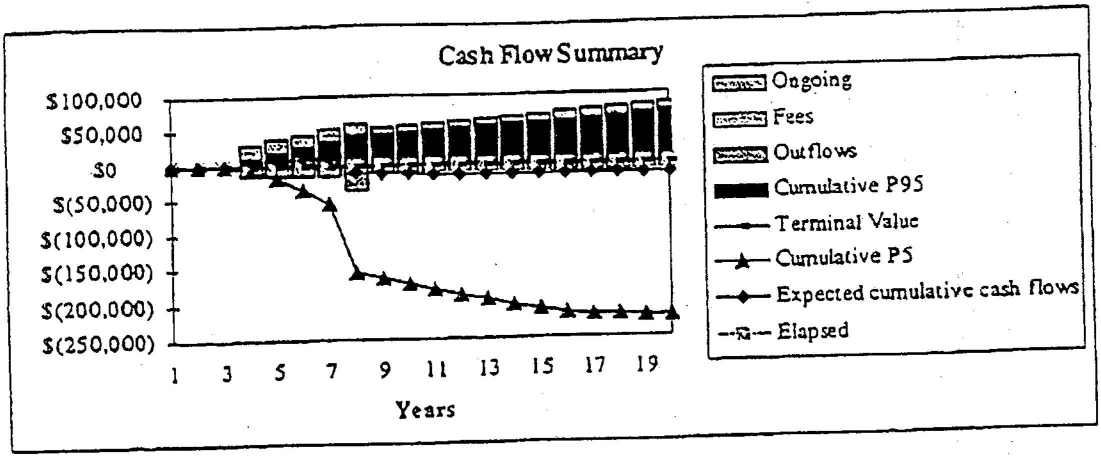
RETURN SUMMARY – (Merchant Analysis)

Discount Rate Components	Capital Price
Risk-free rate	6.84%
Equity Premium	5.02%
Transaction premium	5.14%
RAC Capital Price (All-in)	17.00%*

Probabilistic DCF by Component (3rd Party Ship)	Cumulative IRR	PV @ Capital Price
Cash Outflows + Outstanding	NA	($63,960)
Ongoing Cash Flows	NA	$61,259
Total	NA	($2,701)

The capital price for this project was determined assuming it is equivalent to the market equity return for a merchant power plant in the U.S.



The origination team and RAC agreed upon and constructed a model to define the expected merchant risk/returns of ELNG's proposed terminal capacity commitment to EIT. This merchant analysis assumes no dedicated ELNG source of LNG supply (i.e., the Jose Project or third party long-term contract) to utilize the EIT. The origination team developed a merchant LNG analysis (global supply/demand balance, economics to producer/buyer, attached) that suggests in the five year time horizon from the reactivation of the EIT that there is adequate excess LNG supply to acquire LNG volumes and economically utilize ELNG's terminal capacity. Following the initial five year time horizon, three outcomes were modeled on a probabilistic basis, (1) ELNG's rights are sold, assigned or otherwise conveyed to a third party with ELNG's obligation effectively being terminated (probability 20%), (2) ELNG pays full terminal charges for years 6 to 17 of the contract and does not deliver a single cargo of LNG to EIT (probability 20%), (3) ELNG acquires merchant cargoes year to year with the volume available driven by a probabilistic analysis of the forward U.S. gas price curve, i.e., the higher the gas prices the more attractive the EIT capacity to the LNG producer (probability 60%). See Attachment I for the returns projected under each scenario on a deterministic basis. Zero cargoes were assumed to be available below $1.90/MMBtu with the volume scaling up to 12 cargoes (two thirds ELNG's entitlement of the EIT) at $3.40/MMBtu.

TRANSACTION UPSIDES/OPTIONALITY – INTEGRATION WITH GLOBAL LNG STRATEGY

An upside of the EIT to ELNG is that it creates a market for up to 60 percent of the proposed Jose (Venezuela) LNG project's output. If Enron elects to exit the EIT, the offtake represented by EIT could be replaced, however, it will likely cause a delay of 6 to 12 months. ELNG is developing several high value markets in Puerto Rico and the Dominican Republic, working with Enron Europe to supply the ARCOS power plant (1200MW) in Southern Spain, working with Union Fenosa on an LNG regas/LNG sale into Spain and the Dominican Republic and further liquid markets may open from time to time. The contract structure of Jose LNG provides for a 19 month window commencing September 2000 (with a total financial exposure of $4MM) to complete the execution and financing of the project and back-to-back the deals.

ELNG has the right to elect a Redelivery Option and convert the sale into a sell/buy with a redelivery to ELNG of regassified LNG at the tailgate of EIT. With such election, ELNG can effectively make regassified LNG available to ENA (or directly to a third party) for medium or long-term sales. The benefit of this option is expected to be $0.05/MMBtu to $0.15/MMBtu, provided a pipeline is built from the EIT to either the Carolinas or Florida. The current gas sales agreement with El Paso for the EIT provides a price of plus $0.02/MMBtu basis to Henry Hub, a premium to ENA's estimate of the market price of gas at the EIT today of *negative* $0.05/MMBtu basis to Henry Hub.

This investment is a strategic fit and a catalyst for growth for the Caribbean and the Atlantic LNG businesses. The EIT market is unique and complementary to ELNG's other potential markets. The flexibility provided by ELNG's arrangement with EME is unmatched in the global LNG marketplace. With ELNG's put/demand charge structure with EME, ELNG can offer demand charge structures to third parties that no other suppler can provide in a market that is extremely wary of long-term take or pay commitments.

The project may be able to utilize shipments from the Hoegh Galleon (formerly: Mystic Lady), which Enron has on a 17-year charter commencing late this year. Other possible uses of the Hoegh Galleon are supplying LNG to the Metgas Project in India. Availability of the Hoegh Galleon for shipments to the EIT serves to mitigate a material risk of this investment, and assuming it is used in connection with the EIT for the full term of its charter, this increases the NPV by approximately $11 million.

Further, GPG is working with Southern Natural Gas on a new pipeline to Florida which may be included as part of our joint Florida operations (Citrus). This pipeline could add, to the extent capacity is taken by ENA or it's customers, to ENA is marketing ability in this key gas demand area.

EXIT STRATEGY

This contractual obligation is self-liquidating at the conclusion of its seventeen-year term. The planned business strategy is to (1) utilize the EIT capacity and gas sales option with El Paso as the anchor buyer for the Jose LNG project (in which case the payment obligation will be to the account of a project company, with the Enron Corp. guaranty remaining in place), (2) to sell, assign, or subcontract the EIT capacity to a third party with long-term LNG supply and/or transportation, or (3) utilize the EIT capacity and gas sales option in a merchant operation (economics described herein). There is no assurance that either alternatives (1) or (2) will be available to Enron at present.

RISK MATRIX

Description Of Risk	Mitigation/Comments
• Natural gas price variability and volatility in the U.S market • Low natural gas prices in the local U.S. market in particular and/or in the U.S. market in general may make merchant LNG importation into the U.S. uneconomic (Henry Hub prices below approximately $1.90/Mmbtu, assuming current LNG prices and shipping costs, may make this investment uneconomic).	• The contract sales prices to El Paso are based upon pricing indices commonly used in the natural gas industry in the U.S. As a consequence, both the pricing variability and volatility can be limited through the use of a variety of price hedging instruments. • Enron could utilize a swap for the first five years of this transaction. No swap or other hedging agreements are currently in place. In the absence of a long-term LNG supply contract, it is not advisable to hedge fully the EIT natural gas price exposure for the term of the EIT contractual obligation.
• Constraints on LNG Merchant Shipping Capacity	• The Enron-controlled Hoegh Galleon is presently the only available merchant LNG tanker. It should be noted that Enron has other projects that may be better uses of the Hoegh Galleon, such as Metgas. Value created in the other projects will offset the loss of the Hoegh Galleon's value to Enron value at Elba. Other LNG tankers are available seasonally for merchant service today (see attached Merchant LNG Analysis) as are tankers under the control of LNG suppliers. The high cost of LNG tankers and the inability to finance these ships for merchant service makes a large fleet of such tankers unlikely.

RISK MATRIX (Continued)

Description Of Risk	Mitigation/Comments
• Other existing or future LNG terminals may be more attractive locations for merchant LNG shipments than the EIT, reducing throughput at the EIT even if U.S. gas prices support LNG importation.	• A risk exists that other LNG terminals may offer more attractive economics than the EIT. The Cove Point, MD terminal may be re-commissioned by Columbia Energy/Nisource in the same timeframe as the EIT. Once a baseload supply of 500,000 MMBtu/day is secured, this facility may begin to attract merchant volumes away from EIT. The model for this investment assumes a 20% probability that there is no throughput at the EIT because of either low U.S. natural gas prices or more competitive LNG terminals.
• Customer's Failure to Take	• El Paso has a firm obligation to purchase and receive all volumes confirmed and delivered by Enron, backed by a 100% take-or-pay commitment and a parent guaranty from the El Paso Energy Corporation (BBB/Baa2).
• Scheduling Risk – Annual Program • Scheduling Risk – Operational Problems	• Enron has full take-or-pay rights for volumes Enron has available for delivery that cannot be scheduled (due to a failure or El Paso) once the LNG Terminal is reactivated. The terminal is fairly tight with Enron and BG product. There is a risk that all of Enron's entitlement cannot be scheduled or delivered. Enron must plan adequate shipping and access to a liquid market in Puerto Rico or Lake Charles (an open access facility) to mitigate this schedule risk at Elba Island. • Enron's right to its scheduled Arrival Windows at the LNG Terminal is absolute. In the event of any operational problem experienced by Enron (e.g. shipping delays), the opportunity loss is limited to the affected Arrival Windows. Business interruption insurance will be secured for such situations. Operational problems at the LNG Terminal itself will, under Southern LNG's tariff, be generally characterized as "force majeure". Other operational problems will not relieve El Paso of its obligations. • A substantial lack of scheduling capacity over three years gives Enron the right to cancel the contract.
• Failure of LNG Supply • Failure to Deliver LNG • Failure to Obtain LNG Shipping after Scheduling Delivery at the EIT.	• Enron plans to secure protection through alternate supply locations. • Enron has "force majeure" protection for ship failure. • Enron has no firm delivery obligation and its cover exposure is limited to cargoes of LNG that have been confirmed at the time any problem occurs. This will be a maximum of two cargoes. • Enron has the right to supply domestic replacement gas to cover. Cover is capped at 500% of Henry Hub. Typical replacement gas should be less than $0.10/MMBtu • Enron will make its own ship charter arrangements and is negotiating the utilization of British Gas's spare ship capacity dedicated to the Trinidad-Elba trade. • Enron can purchase and deliver LNG on an "ex-ship" basis.
• Regulatory Risks and Related Concerns (Cost Overruns)	• Enron's access to the Elba Island terminal regulator (FERC) is indirect, since El Paso is Southern LNG's customer. Although Enron has agreed to limited protest rights around the reactivation of the LNG Terminal, it can breach this obligation by actively protesting with the FERC, but at the loss of its Rate Moratorium. • Enron has the right to protest costs overruns (above a certain minimum) at the FERC. The British Gas consortium will

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	also be a potentially strong protestor as well. • Enron's exposure to vaporizer improvement costs is capped. Also, Enron will control the construction and installation of the nitrogen treating facilities. • In addition, Enron can rely on the FERC to take a more active roll in judging the prudency of cost overruns in light of recent initiatives in this specific area.

KEY SUCCESS FACTORS

	NA	Poor			Excellent
Core Business				X	
Strategic Fit				X	
Upside Potential			X		
Management	X				
Risk Mitigation		X			

OTHER RAC COMMENTS:

In the absence of a dedicated LNG supply contract and related LNG tanker shipping contract from Jose LNG project or a third party, this is considered a relatively speculative contractual investment with an assumed 20% probability of no revenue generation to offset the base terminalling fee after five years of operation. Other investments in other LNG terminals, particularly the Cove Point, Maryland LNG terminal, may provide (when nearly fully utilized) more attractive economics for merchant LNG importation. However, with a successful conclusion of the Jose LNG project or robust growth of the Atlantic LNG trade, the EIT contractual investment on a project or merchant basis may produce returns exceeding its capital price.

APPROVALS	Name	Signature	Date
Regional Mgmt.	David Haug		4/12/00
Tax	Keith Gerken		4/12/00
Legal	Nancy Corbet	Nancy Corbet	4/12/00
RAC Management	Rick Buy/David Gorte	David Gorte	4/12/00
Enron Capital Management	Andy Fastow/Jeff McMahon		
ENE Management	Jeffrey Skilling		4/12/00
Originator	Doug Rotenberg		4/12/00
Other	RICK BERGSIEKER	R.P. Bergsieker	4/12/00
	JOSEPH SUTTON		4/12/00

w/ conditions

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EXH003-01278

ATTACHMENT I.
Three Scenarios for E.I.T for 17-year term of the contract.

Scenario	Deterministic PV @ 17%	Explanation
1. 5 years of full merchant utilization, then conveyance of the terminal capacity payment obligation to a third party (probability 20%)	$23 million	The lack of liquid markets and the relative excess of global LNG supply provides for economic utilization of this terminal capacity for the initial five-years. With excess capacity in Algeria and expansions in Nigeria, Algeria and Trinidad, it is assumed that this capacity would be attractive as a baseload market or as a "balancing" market due to the demand charge/put structure.
2. 5 years of full merchant utilization, then payment of terminal capacity charges for years 6 to 17 (probability 20%)	$2 million	The five year global LNG supply excess holds but thereafter no LNG and transportation capacity is available (on economic terms to both parties) to be utilized at the EIT terminal. Only likely with sustained (years 6 to 17) low gas prices (below $1.90/MMBtu), wide and sustained price differential between U.S. and European gas prices, or lack of availability of LNG tankers.
3. 5 years of full merchant utilization, then utilization driven by the U.S. gas price environment with no volumes available below $1.90/MMBtu and 12 cargoes available at $3.40/MMBtu and higher (probability 60%)	$24 million	The five-year global LNG supply excess holds but thereafter LNG is only available under certain U.S. gas price environments. LNG tanker availability is assumed if U.S. natural gas prices are sufficient.

Hence, from the deterministic Base Case the first five years' value is $23 million, and the values for the remainder of the term for Options 1, 2 and 3 are $0, ($21 million), and $1 million, respectively. The expected probabilitistic PV is lower than any of these factors due to the probabilistic modeling of the possibility of uneconomic operations in the first five years and thereafter.

Global Finance Summary (addendum to DASH)

1. Transaction Summary

	Amount ($000)
Total Deal/Project Capital Commitment	$210,000
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$210,000

2. **Investment terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

3. **Financing terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ☐ Unrestricted ☐ Legally Restricted ☒ Practically Restricted

Describe (if necessary): Permission is required by El Paso.

5. **Any recourse to Enron (other than investment):** ☒ Recourse ☐ No Recourse

Describe (if any):

This performance guarantee will be offset by LNG sales.

6a. **Business unit intent to syndicate:** ☒ None ☐ Partial ☐ All

Describe (if necessary):

6b. **Intended Enron hold period:**

This guarantee is NOT a capital lease. Enron is required to have this guarantee for a period of 17 years.

6c. **Likely Syndication Market:**

☐ **Industry/Strategic Partner**
☐ **Capital Markets**
☐ **JEDI 2**
☐ **LJM 1 or 2**
☒ **Other:** ____________

☐ **Direct Private Equity**
☐ **JEDI 1**
☐ **Enserco**
☐ **Condor**
☐ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☒ No

Global Finance Representative: ____________ Signature | DANIEL CASTAGNOLA Name (Printed) | 4/12/00 Date

EC004401966

** TOTAL PAGE.00 **

EXH003-01280

S-6

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Georgia Army
Counterparty: U.S. Military
Business Unit: EES
Business Unit Originator: John Carr
☒Public ☐Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: February 11, 2000
RAC Analyst: Kate Lucas
Investment Type: Structured Credit
Capital Funding Source(s): Balance Sheet
Expected Closing Date: June 30, 2000
Expected Funding Date: 3rd Quarter 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment	$ 68.1 million
Bid Bond Amount	N/A

EXPOSURE SUMMARY

This transaction:	$ 68.1 million
Total	$ 68.1 million

DEAL DESCRIPTION

Enron Federal Solutions, Inc. ("EFSI") proposes to enter into a 50-year contract with the U.S. Military Defense Energy Support Center ("DESC") wherein EFSI will take ownership of the electric, gas, water, and wastewater systems at four military installations in the State of Georgia. These installations are Fort McPherson, Fort Gillem, Fort Stewart, and Hunter Army Airfield.

EFSI will take ownership of these assets at no charge, and will instead commit $68.1 million in capital to be drawn over the next two years for improvement projects. These projects include the following services: (1) project identification, (2) design, (3) financing, (4) construction of energy infrastructure, and (5) O&M services on energy assets. EFSI has entered into teaming agreements with Black & Veatch, an engineering firm, to subcontract the operations and maintenance tasks under the contract.

The deal is structured such that this capital and any interest payments are recovered over the next 20 years. Each month for the 50-year duration of the contract, the government will pay EFSI a fixed monthly sum for operations and maintenance, indexed to the government's indexes for labor and materials. The subcontractor has also agreed to fix its fees, adjusted at these same indexes. At the end of the 50-year contract, the military bases will take ownership of the utility systems.

The capital costs for this project will be recovered at an interest rate of 275 bp above treasury bonds over the course of 20 years. The remaining 30 years of the contract, the government will pay a fee reflective of the O&M costs, plus a margin of 12.8%

TRANSACTION SOURCES AND USES OF FUNDS ($ thousands)

	Sources		Uses
Enron Equity	$68,100	Improvement Projects	$68,100
Total	$68,100		$68,100

RETURN SUMMARY

Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows (capital draws)†	($ 52,675)	-
Acct mgmt/billing services	($ 1,260)	-
Cash Flows (Capital)	$ 69,853	15.62 %
Cash Flows (O&M)	$ 3,373	-
Total NPV	**$ 19,292**	**15.62 %**

Capital Price Components	
Risk free rate (%):	6.51 %
Equity/Credit premium* (%):	0.75 %
Transaction-Specific** (%):	2.00 %
RAC CAPITAL PRICE:	**9.26 %**

E-Rating 1

† Not equal to the nominal $68.1 million because it is drawn over the course of two years.
* Spread of U.S. Government Agencies over U.S. Treasuries
** Includes Subcontractor Performance Risk

EC004401968

EXH003-01282

TRANSACTION UPSIDES/OPTIONALITY

The government has indicated that at the end of the project time frame, the contractor could be awarded an extension to continue operations indefinitely.

EXIT STRATEGY

Not applicable to a strategic investment.

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Previous issues with prospective subcontractor • Enron has had some dissatisfaction with Black & Veatch in the past with respect to power projects. The Enron Office of the Chairman has suspended any new projects with Black & Veatch until this situation is resolved to Enron's satisfaction.	• This situation will need to be worked out before EFSI can enter into this relationship with Black & Veatch. If our relationship with Black & Veatch does not improve, EFSI will need to find a different subcontractor. This would require price re-negotiation, which is likely to shrink EFSI's margins on this deal.
Performance Risk • As part of the bid process, EFSI has submitted cost and timing estimates to the government. EFSI has based its fees to the government according to these estimates. Therefore cost overruns would hurt EFSI's margins on the project. • Given that Enron has been dissatisfied with Black & Veatch in the past, it is possible that they will not perform to standards suitable to EFSI. • In the event that there are significant utility outages, the government may elect to reduce its payment to EFSI for the month in which these outages occur.	• EFSI has locked in prices with the subcontractor before entering into the contract with the government. As such, cost overruns will be passed through directly to the subcontractor, with a 10% risk premium built into the price. • Enron has conducted joint due diligence with Black & Veatch with respect to the condition of the systems. Cost estimates from Black & Veatch are based on this assessment of the condition of the utility equipment at the installations. • EFSI's commitment to using Black & Veatch as the O&M subcontractor is only for one year. In the event that EFSI is dissatisfied with the performance of Black & Veatch, the contract can be renegotiated or terminated at this time. • EFSI will need to negotiate with Black & Veatch that any reductions in the tariff paid by the government to EFSI as a result of poor performance on the part of Black & Veatch will be deducted from payments made to Black & Veatch by EFSI.
Termination Risk • As with other government contracts, this agreement includes a "termination for convenience" clause.	• EFSI intends to include a "make whole" provision in the contract, ensuring that the government would reimburse for costs incurred in the event the termination option is exercised. • The government's liability will be only EFSI's unrecovered capital investment at the point of termination plus any reasonable documented costs the contractor incurs as a result of contract termination. • No termination schedule has as of yet been provided to RAC. This schedule will be provided to the government at signing.

EC004401969

Syndication Risk	• Though the counterparty is an agency of the U.S. government, the financing is imbedded in the transaction and, as such, may be difficult to syndicate on terms favorable to EESO. As noted above, this transaction is considered to be strategic, mitigating, to some degree, the importance of this consideration. The deal fee paid by the government includes a 12.18% margin over the mid desk price and financing at 275 bp above the relevant maturity treasury bond.

KEY SUCCESS FACTORS

	NA	Poor				Excellent
Core Business						X
Strategic Fit					X	
Upside Potential	X					
Management	X					
Risk Mitigation				X		

EC004401970

EXH003-01284

OTHER RAC COMMENTS:

The current teaming agreement with Black & Veatch has prohibited Enron from entering into talks or negotiations with backup subcontractors. Therefore, if Enron is dissatisfied with Black & Veatch's performance, a new subcontractor contract would need to be negotiated. It is uncertain whether terms as favorable as those negotiated with Black & Veatch would be reached with another subcontractor, however the deal team believes it may be possible to contract with other areas of Enron.

As the costs and revenues are fixed over the life of the contract and therefore known to a reasonable degree of certainty, RAC did not perform a probabilistic simulation of the transaction financial model.

APPROVALS	Name	Signature	Date
Legal	Vicki Sharp		2/11/00
EES CEO	Lou Pai		
RAC Management	David Gorte/Rick Buy		2/15/00
Enron Global Finance	Andy Fastow/Jeff McMahon		2/15/00
ENE Management	Joseph Sutton		2/16/00
ENE Management	Jeffrey Skilling		2/16/00

RAC Deal Approval Sheet

Deal Name: Georgia Bases -- Hunter, Stewart, McPherson, Gillem (Federal Government)

Global Finance Summary (addendum to DASH)

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$68,100
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$68,100

2. **Investment terms and pricing:** ☐ Market ☑ Above Market ☐ Below Market
Describe (if necessary):

U.S. Agency credit priced at above current market spreads. The financing rate will be fixed at the 20-year Treasury rate existing on the date of closing plus 2.75%. We expect to sell the receivable at a rate approximately equal to average life Treasurys plus 1.90%.

3. **Financing terms and pricing:** ☐ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ☑ Unrestricted ☐ Legally Restricted ☐ Practically Restricted
Describe (if necessary):

5. **Any recourse to Enron (other than investment):** ☐ Recourse ☑ No Recourse
Describe (if any):

6a. **Business unit intent to syndicate:** ☐ None ☐ Partial ☑ All
Describe (if necessary):

6b. **Intended Enron hold period:** Intend to sell on or about the date of contract award.

6c. **Likely Syndication Market:**

- ☐ **Industry/Strategic Partner**
- ☐ **Capital Markets**
- ☐ **JEDI 2**
- ☐ **LJM 1 or 2**
- ☐ **Other:** ____________
- ☐ **Direct Private Equity**
- ☐ **JEDI 1**
- ☐ **Enserco**
- ☐ **Condor**
- ☐ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☑ No

Global Finance Representative: Larry F. Derrett
Signature

LARRY F. DERRETT
Name (Printed)

2/10/00
Date

EC004401972

EXH003-01286

S-7

EC0044O1973

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Hurricane
Counterparty: Texaco
Business Unit: ENA Gas Assets
Business Unit Originator: **Greg Sharp/Harold Bertram**
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: 1/28/00
RAC Analyst: Tyrell Harrison / Jeff Soo
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 1/00
Expected Funding Date: N/A
Board Approval: ☒Pending ☐Received ☐Denied ☐N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment	$225,500M
Bid Bond Amount	NA

EXPOSURE SUMMARY

This transaction:	$21,000M
Total	$21,000M

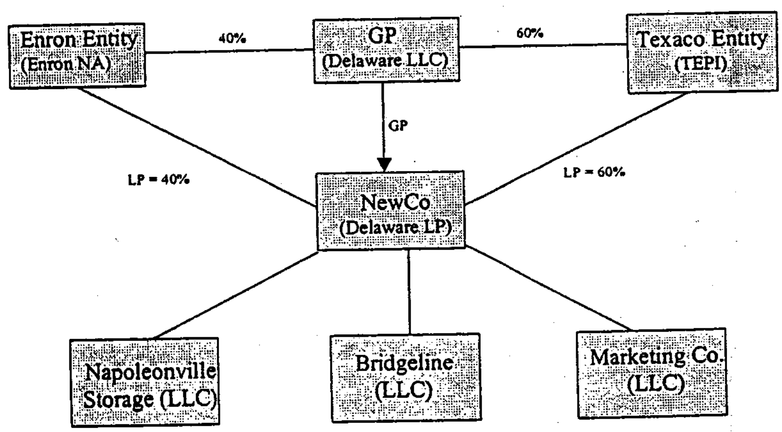
DEAL DESCRIPTION

ENA is proposing to form a NewCo with initial assets consisting of ENA's LRC (Louisiana Resources Pipeline Co. and Louisiana Gas Pipeline), Napoleonville storage facility and related contracts and Texaco's Bridgeline pipeline, Sorrento storage facility and related contracts. In order to maintain trading capabilities, ENA will keep 150 MMcfd of firm transportation capacity on LRC and 2.5 Bcf of storage capacity at Napoleonville. Entering into NewCo with Texaco is preferable to an outright sale since extensive discussions/negotiations with potential acquirers has led Enron to believe that a sale of LRC/Napoleonville would result in less value to Enron.

Since LRC is captive to one supply area at Stingray/Sea Robin on the West side of the Mississippi corridor, Enron has been unable to benefit from long-term sale opportunities that are typically found on the East side. However, by forming a joint venture with Texaco's Bridgeline pipeline, Enron would be able to participate in these long-term marketing opportunities and realize trading profits from basis blowouts in the area. Increased electric load is expected to result in greater price and volume volatility, which should yield attractive trading profits. NewCo would be one of the largest gas suppliers in Southeastern Louisiana and would have an opportunity to optimize the combined gas supply and sales portfolio. Further, ENA expects to avoid significant capital expenditures that would have been necessary during the next several years to maintain the competitiveness of LRC.

The transaction is envisioned as a combination of Texaco's marketing franchise and ENA's trading/risk management and financial engineering strengths. Staffing for NewCo will be sourced from each company's respective strengths (i.e., marketers from Texaco and traders from Enron), with employees assigned to work for NewCo but continuing to be employed by their respective employers.

Economics of NewCo will be 60/40 TI/ENE, but control will be shared 50/50. As shown below, the GP of NewCo will be a 50/50-controlled LLC. Bridgeline will be kept as a subsidiary of NewCo in order to, amoung other things, isolate historical liabilities of the business. LRC will be merged into NewCo. Separately, ENA will enter into contractual arrangements for 150 MMcfd of firm pipeline capacity and 2.5 Bcf of storage in order to maintain existing trading opportunities.



EC004401974

RAC Deal Approval Sheet

Deal Name: Hurricane

TRANSACTION SOURCES AND USES OF FUNDS

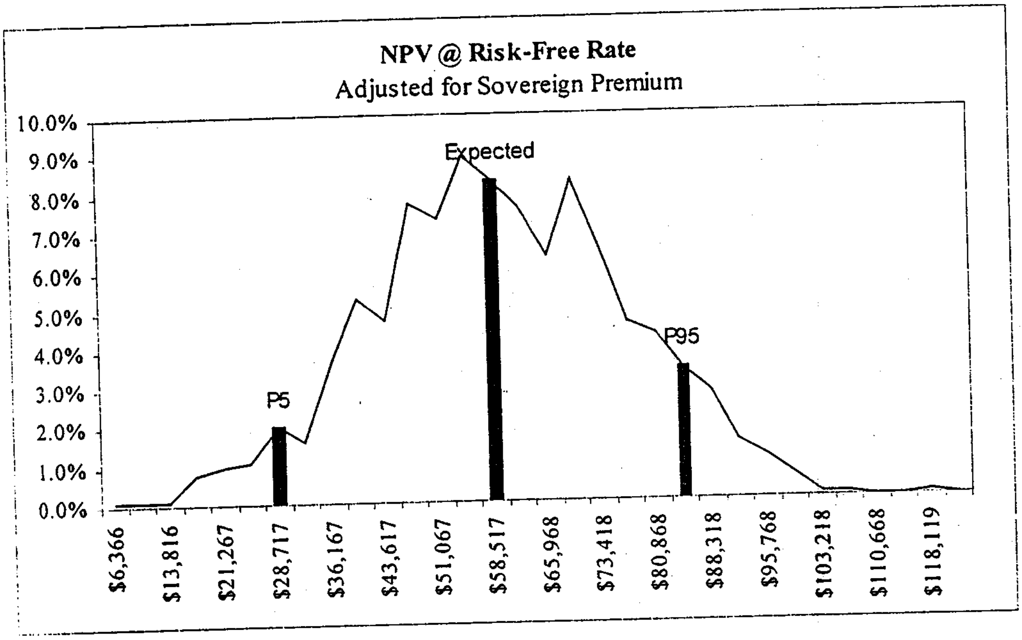
	Sources		Uses
Existing Pipeline Assets	$204,500	Formation of NewCo Assets	$225,500
Equity Injection	$21,000		
Total	$225,500		$225,500

RETURN SUMMARY[1]

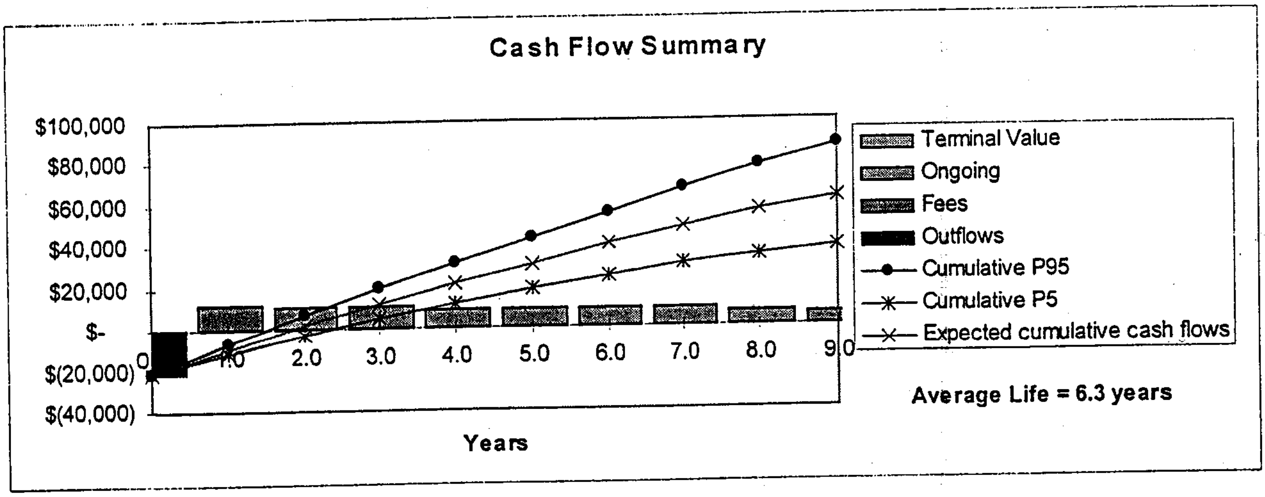
Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	(20,596)	-
Fees	$0	-
Intermed. Cash Flows	$55,597	-
Terminal Value	$7,147	-
Total NPV	**$42,148**	**NA**
E-Rating	N/A	

Capital Price Components	
Risk free rate (%):	6.72%
Equity/Credit premium (%):	5.02%
Country Premium (%):	-
Transaction-Specific (%):	-0.74%
RAC CAPITAL PRICE:	**11.00%**
Relative upside ratio	0.994

1: **The returns and capital price are presented on an unlevered basis.**



* **The graph above reflects the incremental NPV from entering into the NewCo structure versus maintaining the current LRC structure.**



CASH FLOW SUMMARY

Weighted average life: 6.3 years

TRANSACTION UPSIDES/OPTIONALITY – N/A

EXIT STRATEGY – N/A

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Discovery Pipeline Volumes	There is a risk that the low-cost supply volumes from the Discovery pipeline may not be realized over the life of the project. Engineering estimates anticipate a large portion of the total gas supply will be available from Discovery. If such volumes did not materialize, the NewCo would be forced to obtain gas from a more expensive source.
Synergy Realization	Cost savings are expected to be achieved under the NewCo structure primarily through outsourcing and associated personnel reductions. The expected percentage cost savings are approximately 16% of the combined stand-alone levels.
Trading Margins	ENA Gas Trading expects to make a margin trading around the information and capacity on the existing pipeline assets in addition to the new assets from Texaco. Any decrease would negatively impact the existing LRC structure as well as the proposed NewCo structure. The magnitude of the impact would be greater on the NewCo due to larger volumes.
O&M / G&A Overruns	The potential for O&M and/or G&A cost overruns is present in the current LRC structure and the NewCo structure. Identical percentage overruns would have a more detrimental effect for the NewCo due to its larger size.

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business				X
Strategic Fit				x
Upside Potential			X	
Management			X	
Risk Mitigation				x

OTHER RAC COMMENTS:

- The most significant value driver in the deal is the synergies expected to be achieved by the combined entity. The analysis of the expected synergies was performed by Robert Morgan of HPL Engineering. The simulation reflected the potential that these cost saving might not materialize.
- The margins assumed to be made from financial and physical trading were taken at face value from the Gas Trading Desks.
- Based on operational assumptions provided by the deal team, ENA's portion of the NewCo EBITDA is expected to be approximately $11 MM greater than the estimated stand-alone LRC EBITDA on an annual basis. It should be noted that the expected stand-alone LRC operations without trading are cash flow negative in each year.
- The RAC analysis compared the stand-alone case versus the proposed NewCo structure and did not examine the alternative of an asset sale.
- Using the information provided by the deal team, the RAC analysis did not detect a scenario where the stand-alone case would be more NPV beneficial than the proposed NewCo structure.
- The capital price does not reflect a premium associated with risk associated with achieving synergies from combining the two companies. RAC has assumed that between ENA and Texaco, that these synergies are realizable.

Global Finance Summary

1. Transaction Summary

	Amount ($000)
Total Deal/Project Capital Commitment	$21,000
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$21,000

2. **Investment terms and pricing:** X Market Above Market Below Market

Describe (if necessary):

3. **Financing terms and pricing:** X Market Above Market Below Market

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** Unrestricted X Legally Restricted Practically Restricted

Describe (if necessary):
There are control limits on selling an interest.

5. **Any recourse to Enron (other than investment):** Recourse X No Recourse

Describe (if any):

6a. **Business unit intent to syndicate:** X None Partial All

Describe (if necessary):

6b. **Intended Enron hold period:**

6c. **Likely Syndication Market:**

- ❑ **Industry/Strategic Partner**
  - ❑ **Capital Markets**
  - ❑ **JEDI 2**
  - ❑ **LJM 1 or 2**
  - ❑ **Other:** ________________
- ❑ **Direct Private Equity**
  - ❑ **JEDI 1**
  - ❑ **Enserco**
  - ❑ **Condor**
  - ❑ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** Yes X No

RAC Deal Approval Sheet

Global Finance Representative: Joseph M Deffner | **Deal Name: Hurricane** JOE DEFFNER | 2/1/00

Signature | Name (Printed) | Date

APPROVALS	**Name**	**Signature**	**Date**
Originator	Harold Bertram	Harold Bertram	1-31-2000
Originator	Tim Detmering	Tim Detmering	1/31/00
Originator	Brian Redmond	Brian Redmond	1/31/00
Originator	Greg Sharp	Greg Sharp	1/31/00
Legal	Mark Haedicke	Mark Haedicke	1/31/00
Tax	Jordan Mintz	John H Mintz	1/31/00
RAC Management	Rick Buy /David Gorte	David B Gorte	1/31/00
Enron Capital Management	Andy Fastow/Jeff McMahon		
ENA Management	Cliff Baxter	Clifford Baxter	1/31/00
ENE Management	Jeffrey Skilling	Jeffrey K. Skilling	1/31/00

EC004401979

EXH003-01293

S-8

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Jertovec Pre-NTP
Counterparty: EE&CC
Business Unit: Central Europe Origination
Business Unit Originator: Rob Soeldner
☐Public ☒Private
☐Merchant ☒Strategic
☐Conforming ☒Nonconforming

Date DASH Completed: 2 February 2000
RAC Analyst: Otto von Schwerin
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 3 February 2000
Expected Funding Date: Q1/Q2 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment: Management approval is sought for up to $10 million toward the cost of anticipated Pre-Notice-To-Proceed (NTP) work and cancellation charges over a 5-month period from Engineering Release (kick-off) until Financial Close (signing of the loan agreements – dry close).
Another separate DASH will be prepared and submitted before Financial Close to seek approval for the overall Jertovec Project.

Bid Bond Amount: N/A

EXPOSURE SUMMARY
N/A

DEAL DESCRIPTION
This is an interim DASH to seek approval in order to proceed with Engineering Release. Pre-NTP work is expected to continue for up to 14 months. A complete DASH detailing the Project will be presented to management and the Board before Financial Close (expected within the next 5 months). In the unlikely event that the team faces delays in reaching Financial Close, another interim DASH may become necessary to authorize additional expenditures/exposures.

The Jertovec project involves the construction, ownership and operation of a net 240 MW natural gas- and number 2 fuel oil-fired combined cycle power plant at Jertovec, about 50 km north-east of Zagreb in Croatia. It will be developed and initially 100% owned by Elektrana Jertovec d.o.o and Elektrana Jertovec 2 d.o.o, two wholly owned subsidiaries of Enron Corp. The Jertovec plant, which is expected to have a capital cost of $201 million (incl. development cost, interest during construction, fees, etc.), will be the first completely independent power project in Croatia. Hrvatska Elektroprivreda ("HEP"), the Croatian Electric Power Authority, has entered into a 20-year Capacity and Tolling Agreement (CTA) with the project company. HEP is responsible for supplying fuel and taking power from the plant in return for a fixed capacity payment. At the end of the contract, the power plant will be transferred back to HEP for DM 1. The CTA was signed on 23 June 1999. The CTA is conditional upon obtaining adequate financing for the Project on terms acceptable to Enron. The financing team is in advanced discussions with potential lenders (led by EBRD and Dresdner Kleinwort Benson) regarding project financing, but negotiations have not yet been completed.

The project benefits from a 30 month exclusion from import duty starting from 1 January 2000. In order to avoid delays in construction which might jeopardise this, it is now necessary to: (i) proceed with Engineering Release to complete the design required to obtain Building Permit; and (ii) sign Letters of Intent with various vendors for procurement of the equipment. This gives rise to monetary commitments (costs incurred by EE&CC – the EPC contractor - and various third parties as well as cancellation charges under the LOIs), which EEL would have to honour if negotiations with lenders or contractors fall through and the deal fails to reach Financial Close. The table below gives a detailed description of the expected cumulative maximum costs/cancellation charges (including external costs incurred directly by EEL), over a 5-month period. By the end of that period, outstanding issues should have been resolved and a DASH submitted for approval of the project as a whole.

Month after Engineering Release	*Cumulative EE&CC Costs ('000)*	*Cumulative 3rd party Cancellation Charges ('000)*	*Cumulative EEL external Engineering related Development Costs ('000)*	*Cumulative EEL external non-Engineering related Development Costs ('000)*	*Total ('000)**
1	$650	$0	$360	$400	$1,410
2	$1,810	$0	$450	$800	$3,060
3	$2,650	$0	$680	$1,200	$4,530
4	$4,350	$0	$910	$1,600	$6,860
5	$5,260	$1,580	$1,140	$2,000	$9,980

*Cancellation can occur at any time and would therefore reduce the overall exposure. Figures are rounded and represent estimates of maximum exposure.

EC004401981

EXH003-01295

TRANSACTION SOURCES AND USES OF FUNDS

	Sources ('000)		Uses ('000)
Enron Balance Sheet	$10,000	5-Month Pre-NTP Costs and Cancellation Charges	$10,000
Total	$10,000	Total	$10,000

CASH FLOW SUMMARY

Enron's ROE for the overall Jertovec project is currently expected to reach approximately 29%. This value will be refined and a full RAROC analysis performed for approval of the project as a whole.

TRANSACTION UPSIDES/OPTIONALITY

N/A

EXIT STRATEGY

N/A

RISK MATRIX (Main 4 Risks Only)

The key risk on the $10m exposure would be that Enron is not able or willing to proceed with the Jertovec project. The table below outlines some of the key issues that might arise before Financial Closing. The risks of the Jertovec project itself will be assessed as part of the overall project DASH to be submitted to management and the Board prior to closing.

DESCRIPTION	MITIGATION/COMMENTS
Political Climate	President Tudjman (who died last month) was a firm supporter of the Jertovec project, and there is now concern about the new government's stance. Following the January 3rd elections and the change in parliamentary control from the HDZ (formerly under President Tudjman) to a coalition government of center-left-wing parties, the political situation is still in a state of flux. The new government has publicly stated it will be open to foreign investment and will work hard at improving democratic proceedings, international relationships and reversing the isolation Croatia has been in.
HEP Contract Frustration	HEP cooperation is still needed in the following areas to reach Financial Close: • HEP needs to enter into a direct agreement with the lenders which could be contentious and time-consuming; • Lenders have requested information from HEP regarding grid studies, market projections, etc. to become comfortable with HEP credit exposure, which is a major project risk for both the banks and Enron. HEP has thus far not been able to provide all the information. HEP is under an obligation under the CTA to "co-operate" with Enron's efforts to negotiate a financing agreement, but such support cannot be guaranteed; • Three further site agreements need to be negotiated between HEP and Enron; and • HEP must not object to the revised company structure.

EC004401982

EXH003-01296

RAC Deal Approval Sheet

Deal Name: Jertovec Pre-NTP

EPC Contractor Changes and Issues	The preferred EPC contractor is currently EE&CC, but contract negotiations are still on-going. Enron is also working on a sell-down structure whereby the equity purchaser would have full discretion over selection of the EPC contractor (in order to avoid accounting issues related to revenue recognition). If the EPC contractor were changed, Enron could be liable for costs incurred up to that point and cancellation charges. It would also most likely introduce delays in the construction schedule. It should be noted that Enron is also working to close out a number of local consent issues that relate to emissions, noise and easements; a resolution to which will be sought prior to Dry Close.
Terms of Financing not favourable	Although EGF believes that remaining issues on financing can be resolved, negotiations with the lenders are still at a relatively early stage. The main issues are: • The current draft of the EPC contract contains issues raised by the lenders which still need to be resolved. Negotiations with EE&CC are still ongoing; • The lenders need to reach a direct agreement with HEP on a number of issues; • The deal structure has generally been accepted by the lenders but there are some areas where the banks are seeking additional comfort. The lenders also want confirmation that HEP is aware of and does not object to the structure, which has not yet been discussed with them; and • The coverage ratios are tighter following depreciation of the Euro against the $, which is likely to lead to a less beneficial debt structure.

KEY SUCCESS FACTORS

	NA	Poor / Excellent
Core Business	X	
Strategic Fit	X	
Upside Potential	X	
Management	X	
Risk Mitigation	X	

OTHER RAC COMMENTS:

N/A

APPROVALS

	Name	Signature	Date
Business Unit Originator	Rob Soeldner		2/2/00
Business Unit Originator	Eric Shaw		2/2/00
Engineering Technical Services	John Chappell		2nd Feb 2000
RAC Management	David Gorte		2/2/00
RAC Management	Steve Young		2/2/00
Enron Capital Management	Jeff McMahon		2/10/00
Enron Capital Management	Paul Chivers		2/2/00.
Legal	Michael Brown		2 Feb 2000

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EC004401983

EXH003-01297

AC Deal Approval Sheet

Deal Name: Jertovec Pre-NTP

EE&CC	Fred Kelly	F Kelly	3 Feb 00
Business Unit Mgmt.	John Sherriff	J R Sherriff	2 Feb '00
Business Unit Mgmt.	Mark Frevert		
ENE Management	Joe Sutton		2 Feb 00

RAC Deal Approval Sheet

Deal Name: Jertovec Pre-NTP

Global Finance Summary (addendum to DASH)

1. Transaction Summary

	Amount ($)
Total Deal/Project Capital Commitment	$10,000,000
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$10,000,000

2. **Investment terms and pricing:** ☐ Market ☐ Above Market ☐ Below Market

   Describe (if necessary): N/A

3. **Financing terms and pricing:** ☐ Market ☐ Above Market ☐ Below Market

   Describe (if necessary): N/A

4. **Legal or practical liquidity restrictions:** ☐ Unrestricted ☐ Legally Restricted ☐ Practically Restricted

   Describe (if necessary): N/A

5. **Any recourse to Enron (other than investment):** ☑ Recourse ☐ No Recourse

   Describe (if any): FURTHER RECOURSE TO ENRON IF DEAL PROCEEDS

6a. **Business unit intent to syndicate:** ☑ None ☐ Partial ☐ All

   Describe (if necessary): EQUITY INVESTMENT
   PROJECT FINANCING WILL BE FULLY SYNDICATED.

6b. **Intended Enron hold period:**

6c. **Likely Syndication Market:**

PROJECT DEBT

☐ Industry/Strategic Partner
☑ Capital Markets
☐ JEDI 2
☐ LJM 1 or 2
☐ Other: ______________

☐ Direct Private Equity
☐ JEDI 1
☐ Enserco
☐ Condor
☐ Margaux

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☑ No

Global Finance Representative: [signature] — PAUL C. CHIVERS — 2/2/00.

Signature — Name (Printed) — Date

S-9

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Mariner – Pluto II
Counterparty: Mariner Energy Inc. / Burlington Resources
Business Unit: Enron Field Services
Business Unit Originator:
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed 3/8/00
RAC Analyst: Farhad Ahad
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 3/8/00
Expected Funding Date: 3/8/00
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED
$26.019 million

EXPOSURE SUMMARY

This transaction:	$26.019 million
Total	$26.019 million

DEAL DESCRIPTION

Enron Field Services proposes to repurchase the Pluto gathering system debt ($25,277,276) and equity ($741,277 from LJM for $26,018,553.

During 1999, ECT Producer Finance provided capital ($24MM) to Mariner for the construction of a gathering system pipeline. This 31 mile pipeline was laid in the Gulf of Mexico between Mississippi Canyon Block 717 and South Pass Block 89 to bring gas and liquids production from Mariner's Pluto discovery to market. Construction has been completed and the field is now on production.

A copy of the approved DASH for the original transaction is attached. Terms are substantially the same and economics haven't been recalculated. Initial rates exceed projections and could improve returns for the pipeline. As anticipated, Burlington Resources bought into the gas field, taking a 55% interest and thereby enhancing the credit quality of the pipeline financing.

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
Enron Balance Sheet	$26.019 million	Repurchase Pluto PL	$26.019 million

RETURN AND CASH FLOW SUMMARY
Cash flows:

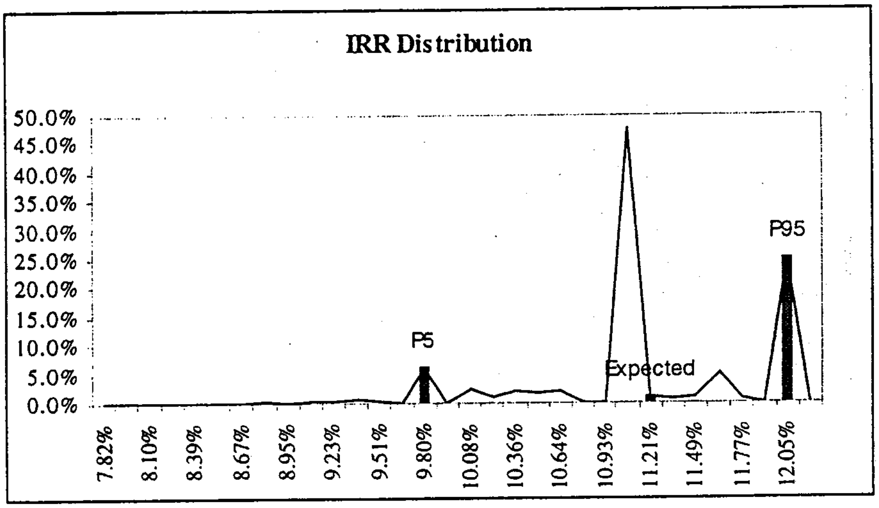
Description	As of date	Cumulative IRR	PV at Capital Price (10.16%)
Cash outflows	03/08/2000	n-a	$26.019 million
Cash inflows	03/08/2000	11.10%	$26.376 million
Net cash flow	**03/08/2000**	**11.10%**	**$0.358 million**

EC004401987

EXH003-01301

Cost of capital calculation:

Description	Discount Rate	For Asset Type
Risk-free rate	6.46%	
Equity premium	5.42%	
Other	-1.32*	
RAC Capital price	**10.16%**	**Strategic**



*Weighted average improvement in the cost of capital as cost of $25.28 million debt improved to 9.73%. (LJM's $0.74 million equity stake is discounted at 25%.)

Global Finance Summary (addendum to DASH)

1. **Transaction Summary** — Pluto 2

	Amount ($000)
Total Deal/Project Capital Commitment	$26,000
Less: Financings	0
Less: Syndications	0
Net Enron Investment	$26,000

2. **Investment terms and pricing:** ☑ Market ☐ Above Market ☐ Below Market

Describe (if necessary): Investment is a repurchase from LJM2 of the debt and equity securities of MEGS, LLC associated with the Pluto project. Purchase price is par plus accrued interest.

3. **Financing terms and pricing:** ☑ Market ☐ Above Market ☐ Below Market

Describe (if necessary): Debt ($25.26 million) is priced at a 9.75% effective annual yield. Equity ($740,000) is priced at a 25% effective annual yield. The debt yield is consistent with a blend of the Burlington and Mariner credit spreads.

4. **Legal or practical liquidity restrictions:** ☑ Unrestricted ☐ Legally Restricted ☐ Practically Restricted

Describe (if necessary): There are no restrictions on the syndication of the debt securities. While the equity can be sold down to non-affiliates, a complete sell down of the equity would likely require Burlington and Mariner consents. The most likely scenario would be a sale of MEGS to Burlington.

5. **Any recourse to Enron (other than investment):** ☐ Recourse ☑ No Recourse

Describe (if any):

6a. **Business unit intent to syndicate:** ☑ None ☐ Partial ☐ All

Describe (if necessary): Currently there are no plans to syndicate. If necessary, the Burlington share (55% of the NPV) of the project could be readily syndicated. The Mariner share is significantly less liquid at this time. As the project continues to perform and the reserves are validated and reclassified as proved, producing, it is much more likely the Mariner share could be syndicated as an asset based financing with little reliance on Mariner's credit.

6b. **Intended Enron hold period:**
Maturity. The average life of the project is 2.5 years with a final maturity to nine years. Due to the accelerated payback schedule, the exposure to Pluto decreases rapidly.

6c. **Likely Syndication Market:**

- ☐ **Industry/Strategic Partner**
- ☐ **Capital Markets**
- ☐ **JEDI 2**
- ☐ **LJM 1 or 2**
- ☑ **Other:** BANKS
- ☐ **Direct Private Equity**
- ☐ **JEDI 1**
- ☐ **Enserco**
- ☐ **Condor**
- ☐ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☑ No

Global Finance Representative: [signature] Signature — Joseph M. Deffner, Name (Printed) — 3 / 2 / 2000, Date

EC004401989

EXH003-01303

APPROVALS	Name	Signature	Date
ENA Originator	TED BLAND		3/3/00
ENA Commercial Transactions Group	Ray Bowen		3/2/00
ENA Regional Mgmt.	Cliff Baxter or Greg Whalley		3/13/00
Legal	Mark Haedicke		3/3/00
RAC Management	Rick Buy or David Gorte		3/2/00
Enron GLOBAL FINANCE ~~Capital Management~~	Andy Fastow/Jeff McMahon	~~SEE BELOW~~	3/3/00
ENE Management	Jeffrey Skilling or Joe Sutton		3/16/00

EGF COMMENTS

THERE WERE NO ECONOMICS RUN TO DEMONSTRATE THIS INVESTMENT MAKES SENSE. THEREFORE WE CANNOT OPINE ON ITS MARKETABILITY OR ABILITY TO SYNDICATE.

JM

EC004401990

EXH003-01304

DEAL APPROVAL SHEET

DEAL NAME:	Mariner-Pluto	**Date DASH Completed:**	5/20/99
Counterparty:	Mariner Energy Inc.	**RAC Analyst:**	Bill McKone/Martin O'Leary
Business Unit:	ECT-Producer Finance	**Investment Type:**	Equity
Business Unit Originator:	Brad Dunn	**Capital Funding Source(s):**	Balance Sheet
☐**Public** ☒**Private**		**Expected Closing Date:**	10/99
☒**Merchant** ☐**Strategic**		**Expected Funding Date:**	10/99
☒**Conforming** ☐**Nonconforming**		**Board Approval:** ☐**Pending** ☐ **Received** ☐ **Denied** ☒ **N/A**	

DEAL DESCRIPTION

Enron Capital & Trade Resources Corp. proposes to purchase Mariner Energy's Pluto gathering pipeline for $24 million. This gathering line is a 31 mile, 8 inch, pipeline that will connect Mariner's subsea production facility located in the Mississippi Canyon Block 717 to a Marathon platform located in South Pass Block 89.

Mariner and their working interest partners will build the line, establish flow, and then sell the pipeline to ECT. This is expected to occur on October 1, 1999.

ECT will enter into a gathering agreement with Mariner, and their working interest partners, to gather gas from the well head to the Marathon platform for a fee of $0.2575/MMBTU plus all operating costs for the first 86 BCF and 5.9 MBO and $0.05/MMBTU plus all operating costs for all additional volumes.

Mariner and their working interest partners will guarantee throughput of 86 BCF and 5.9 MBO according to a minimum monthly volume schedule. These guaranteed payments will give ECT a minimum of a 15.0% ROR assuming that ECT transports only the guaranteed volumes through the gathering line The guarantee will be a general corporate obligation which will rank pari passu with the company's 10.5% Sr. Subordinated Notes. These notes are currently trading at 13.5%. Mariner will use most of the proceeds of this sale to repay the $25 MM Sr. Unsecured WC line, but is not required to do so. This working capital facility is currently priced at LIBOR + 250 basis points. 875?

ECT will enter into an operating agreement with Mariner to operate the gathering line for the life of the MC 717 unit. At the end of the economic life of the unit, Mariner will abandon the line and cover all costs exceeding $500,000. If ECT does not want to abandon the line at this time ECT will assume all future abandonment liability. ?

Burlington Resources has verbally agreed to take a 63% BPO WI in the Pluto project which will reduce to a 49% APO WI. They are doing additional due diligence and should sign definitive documents sometime in June. Burlington Resources is an S&P A- credit, which should improve the credit quality of this investment.

ASSOCIATED GUARANTIES

None

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
		Capital Expenditure	$24,000
Enron Equity	$24,000		
Total	$24,000		$24,000

EC004401991

EXH003-01305

SUMMARY

Equity

	($000)			
Capital Commitment:	$24,000		Weighted Average Life (yrs.):	2.913
Bid Bond Amount:	N/A			

Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	($22,217)	N/A
Fees	$0	N/A
Intermed. Cash Flows	$22,774	17.34%
Terminal Value	$0	17.34%
Total NPV	**$564**	**17.34%**

Capital Price Components	
Risk free rate (%):	5.22%
Equity/Credit premium (%):	2.97%
Country Premium (%):	0%
Other (%):	7.31%
RAC CAPITAL PRICE:	**15.5%**

Mkt price 9.73% (?)

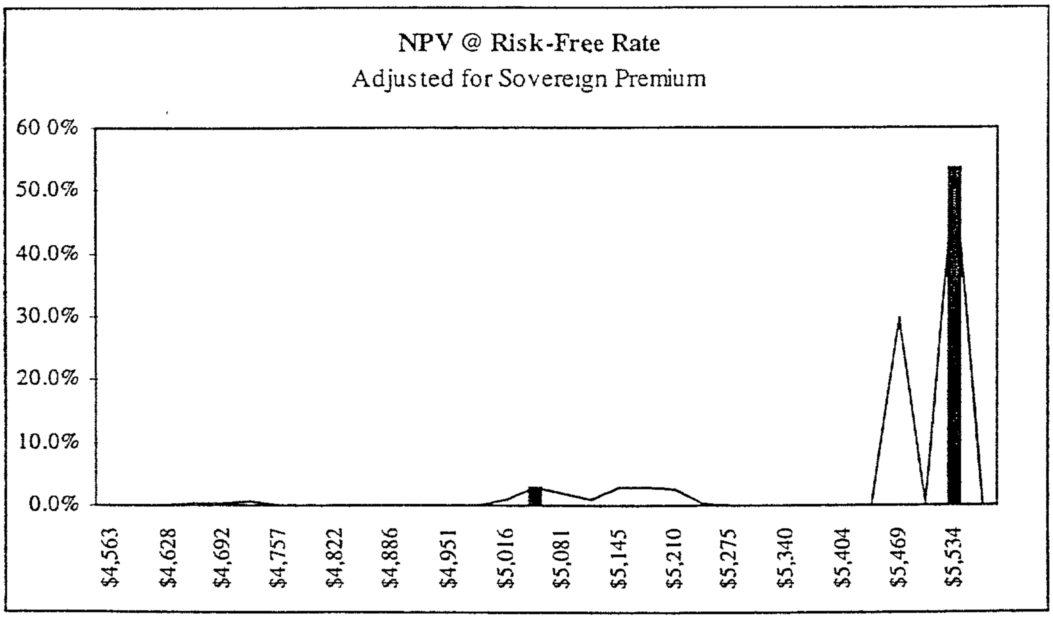
RAC has to confirm/verify

EXISTING EXPOSURE

On a fully diluted basis, Enron owns 86.5% of Mariner. Equity and debt investments are summarized below:

Date	Amount	Description
March, 1996	$95,000,000	Equity
April, 1998	$28,207,000	Equity
September, 1998	$10,000,000	Convertible Bridge
October, 1998	$15,000,000	Convertible Bridge
January, 1999	$10,000,000	Non-Convertible Bridge
February, 1999	$8,000,000	Non-Convertible Bridge
March, 1999	$7,000,000	Non-Convertible Bridge
April 6, 1999	$25,000,000	Working Capital Facility
TOTAL	$198,207,000	

The $24 million investment in this project will be used by Mariner Energy to pay down the bridge loan that was dispersed in the first quarter of 1999, but is not required to do so by the transaction documents. $7[illegible]



EC004401992

EXH003-01306

NON-HEDGABLE (IDIOSYNCRATIC) RISKS

RISK	DESCRIPTION	MITIGATION/COMMENTS
Reserves	The Pluto project may contain less reserves than Mariner estimates.	ECT is guaranteed minimum monthly payments, regardless of whether Mariner produces less than planned. However, Enron engineers estimate an average cumulative production of 73 BCF while Mariner guarantees 86 BCF of cumulative transport volume. This leaves ECT exposed to Mariner credit risk for the difference between guaranteed volumes and actual transported volumes.
Abandonment Risk	Enron, as owner of pipeline, will be liable for costs associated with abandonment. Abandonment requirements in deepwater GOM are not well established	If ECT elects to abandon the gathering line at the end of the contract term, Mariner is responsible for any abandonment costs in excess of $500,000 If ECT continues to use the gathering line, ECT will be solely responsible for abandonment Abandonment requirements are anticipated to only include purging and plugging costs.
Construction Risk	There is a possibility that Mariner may be unable to complete construction of the gathering line and get the well on production by November 1999 which could result in the loss of Mariner's lease on gas field related to this project.	The purchase of this pipeline is contingent upon the successful completion of construction and flow of gas. Mariner would be responsible for all cost overruns.
Operating Risk	There is the possibility that unforseen events could shut down operations for extended periods of time.	Catastrophic risk insurance will be carried to counter this potential economic loss. The $500,000 deductible per event has been modeled along with a probability of occurrence estimated to be 2% per year.
Regulatory and Environmental Risk	Pluto is subject to safety and environmental regulation by the Department of the Interior's Minerals Management Service (MMS)	Mariner will be responsible for compliance and the related cost of all MMS requirements ECT will carry the appropriate amount of insurance above that required of Mariner

HEDGABLE OR MARKET RISKS

Foreign Exchange Risk	The functional currency of the transaction is US Dollar and all revenues and costs are denominated in US Dollars.
Interest Rate Risk	Although the transaction is classified as equity, the valuation bears interest rate risk associated with the RAC capital price, since the transaction is classified as Merchant and the discount rate will be re-determined quarterly. No interest rate hedges have been included in the valuation model.
Equity Risk	Equity market risk for this transaction is reflected as part of the discount rate. The terminal value was assumed to be the abandonment costs. No market risk hedges have been included as part of the valuation model.
Credit Risk	The pipeline gathering revenue stream is guaranteed by Mariner Energy. Given that Resource Evaluation expects contracted volumes to exceed production, the gathering pipeline will be exposed to Mariner Credit risk. Mariner's credit rating is B-. This risk was modeled using the implied default probabilities. Mariner anticipates selling down of 2/3 interest to Burlington Resources, an A- credit, in near term offers credit enhancement, and potentially provides Mariner with access to additional capital No credit hedges have been incorporated into the valuation model.
Inflation Risk	The equity investment bears inflation risk because the contract calls for fixed payments over the next 9 years which implies that the real value of the payments could decline as a result of an unexpected increase in inflation.
Commodity Risk	The project is indirectly exposed to commodity risk because our counterparty's primary source of revenue is derived from commodity gas sales. This exposure has been incorporated through counterparty risk.

OTHER RAC COMMENTS:

SYNDICATION (ECM):

- ☐ Immediately syndicatable at current capital price
- ☒ Syndication within one year at current capital price
- ☐ Not syndicatable at current capital price
- ☐ N/A

APPROVALS:	Name	Signature	Date
RAC Management	Rick Buy 5/21/99		
Enron Capital Management	Andy Fastow/Jeff McMahon		
Business Unit Originator	Brad Dunn 5/24/99		5/24/99
Engineering Management	Monte Gleason 5/25/99		5/27/99
ECT Legal	~~Steve Van Hooser~~ Barbara Gray		5/24/99
Business Unit Mgmt	W. Craig Childers		5/24/99
Portfolio Manager	Jere Overdyke		5/25/99
ENE Management	Ken Rice		5/25/99
ENE Management	Jeffrey Skilling		5/25/99

S-10

EC00401995

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: MDW
Counterparty: U.S. Military District of Washington
Business Unit: EES
Business Unit Originator: Dean Tarbet / Charlie Thompson
☒Public ☐Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: February 8, 2000
RAC Analyst: Kate Lucas
Investment Type: Structured Credit
Capital Funding Source(s): Balance Sheet
Expected Closing Date: October 30, 2000
Expected Funding Date: 4th Quarter 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment	$ 55.6 million
Bid Bond Amount	N/A

EXPOSURE SUMMARY

This transaction:	$ 55.6 million
Total	$ 55.6 million

DEAL DESCRIPTION

Enron Federal Solutions, Inc. ("EFSI") proposes to enter into a 15-year privatization contract with the Defense Energy Support Center ("DESC"), wherein it will take ownership of the electric, water/wastewater, and natural gas systems at five military installations in the Maryland, Virginia, and Washington, D.C. area. The installations included in this deal are Fort Meade, Fort McNair, Fort Myer, Fort Belvoir, and A.P. Hill.

EFSI will commit $55.6 million for identification, development, and implementation of projects related to this privatization. EFSI has entered into teaming agreements with ABB and Black & Veatch, an engineering firm, to subcontract the operations and maintenance tasks under the contract. Both firms have been engaged to perform an initial engineering audit of the infrastructure at the installations.

EFSI will draw the capital for these projects over a two-year period of time, and will be paid a fixed monthly amount by the government. The terms of the government's payback period will be 15 years, the duration of the contract.

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
Enron Equity	$ 55,600	Energy projects	$ 55,600
Total	$ 55,600		$ 55,600

RETURN SUMMARY

Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows (capital draws)†	($ 45,695)	-
Acct mgmt/billing services	($ 1,613)	-
Cash Flows (Capital)	$ 57,343	16.12 %
Cash Flows (O&M)	$ 4,145	-
Total NPV	**$ 14,180**	**16.12 %**

Capital Price Components	
Risk free rate (%):	6.70 %
Equity/Credit premium* (%):	0.69 %
Transaction-Specific** (%):	2.00 %
RAC CAPITAL PRICE:	**9.39 %**

E-Rating 1

† Not equal to the nominal $55.6 million because it is drawn over the course of two years.
* Spread of U.S. Government Agencies over U.S. Treasuries
** Includes Subcontractor Performance Risk

EC004401996

EXH003-01310

TRANSACTION UPSIDES/OPTIONALITY

The government has indicated that there is the potential for additional capital improvement projects beyond the 2-year capital improvement plan.

EXIT STRATEGY

Not applicable to a strategic investment.

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Previous issues with prospective subcontractor • Enron has had some dissatisfaction with Black & Veatch in the past with respect to power projects.	• This situation will need to be worked out before EFSI can enter into this relationship with Black & Veatch. If our relationship with Black & Veatch does not improve, EFSI will need to find a different subcontractor. This would require price re-negotiation, which is likely to shrink EFSI's margins on this deal.
Performance Risk • As part of the bid process, EFSI has submitted cost and timing estimates to the government. EFSI has based its fees to the government according to these estimates. Therefore cost overruns would hurt EFSI's margins on the project. • Given that Enron has been dissatisfied with Black & Veatch in the past, it is possible that they will not perform to standards suitable to EFSI. • In the event that there are significant utility outages, the government may elect to reduce its payment to EFSI for the month in which these outages occur.	• EFSI has locked in prices with the subcontractor before entering into the contract with the government. As such, cost overruns will be passed through directly to the subcontractor, with a 7% risk premium built into the price for Black & Veatch and one of 5% built in for ABB. • Enron has conducted joint due diligence with Black & Veatch and ABB with respect to the condition of the systems. Cost estimates from Black & Veatch and ABB are based on this assessment of the condition of the utility equipment at the installations. • EFSI's commitment to using Black & Veatch and ABB as the O&M subcontractors is only for one year. In the event that EFSI is dissatisfied with their performance, the contract can be renegotiated or terminated at this time. • EFSI will need to negotiate with both Black & Veatch and ABB that any reductions in the tariff paid by the government to EFSI as a result of poor performance on the part of either subcontractor will be deducted from payments made by EFSI to Black & Veatch and/or ABB.
Termination Risk • As with other government contracts, this agreement includes a "termination for convenience" clause.	• EFSI intends to include a "make whole" provision in the contract, ensuring that the government would reimburse for costs incurred in the event the termination option is exercised. • The government's liability will be only EFSI's unrecovered capital investment at the point of termination plus any reasonable documented costs the contractor incurs as a result of contract termination. • No termination schedule has as of yet been provided to RAC. This schedule will be provided to the government at signing.

Syndication Risk	• Though the counterparty is an agency of the U.S. government, the financing is imbedded in the transaction and, as such, may be difficult to syndicate on terms favorable to EESO. As noted above, this transaction is considered to be strategic, mitigating, to some degree, the importance of this consideration. The deal fee paid by the government includes a 8.42% margin over the mid desk price and financing at 275 bp above treasury bills.

KEY SUCCESS FACTORS

	NA	Poor				Excellent
Core Business						X
Strategic Fit					X	
Upside Potential	X					
Management	X					
Risk Mitigation				X		

OTHER RAC COMMENTS:
RAC did not perform an analysis of the transaction financial model using probabilistic scenarios.

APPROVALS	Name	Signature	Date
Legal	Vicki Sharp		
EES CEO	Lou Pai		
RAC Management	David Gorte/Rick Buy	R. Buy	2/8/00
Enron Global Finance	Andy Fastow/Jeff McMahon	JMcMahon	
ENE Management	Jeffrey Skilling/Joseph Sutton	Jeffrey K. Skilling	

OTHER RAC COMMENTS:
RAC did not perform an analysis of the transaction financial model using probabilistic scenarios.

APPROVALS	Name	Signature	Date
Legal	Vicki Sharp		2/8/00
EES CEO	Lou Pai	Lou Pai	
RAC Management	David Gorte		
Enron Global Finance	Andy Fastow/Jeff McMahon		
ENE Management	Jeffrey Skilling/Joseph Sutton		

EC004402000

RAC Deal Approval Sheet

Deal Name: Military District of Washington

Global Finance Summary (addendum to DASH)

1. Transaction Summary

	Amount ($000)
Total Deal/Project Capital Commitment	$55,600
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$55,600

2. Investment terms and pricing: ☐ Market ☑ Above Market ☐ Below Market

Describe (if necessary):

U.S. Agency credit priced at above current market spreads. The financing rate will be fixed at the 15-year Treasury rate existing on the date of closing plus 2.75%. We expect to sell the receivable at a rate equal to average life Treasurys plus 1.80%.

3. Financing terms and pricing: ☐ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

4. Legal or practical liquidity restrictions: ☑ Unrestricted ☐ Legally Restricted ☐ Practically Restricted

Describe (if necessary):

5. Any recourse to Enron (other than investment): ☐ Recourse ☑ No Recourse

Describe (if any):

6a. Business unit intent to syndicate: ☐ None ☐ Partial ☑ All

Describe (if necessary):

6b. Intended Enron hold period: Intend to sell on or about the date of contract award.

6c. Likely Syndication Market:

- ☐ **Industry/Strategic Partner**
- ☑ **Capital Markets**
- ☐ **JEDI 2**
- ☐ **LJM 1 or 2**
- ☐ **Other:** ____________
- ☐ **Direct Private Equity**
- ☐ **JEDI 1**
- ☐ **Enserco**
- ☐ **Condor**
- ☐ **Margaux**

6d. Is this a JEDI 2 "Qualified Investment"? ☐ Yes ☑ No

Global Finance Representative: [signature] LARRY F. DERRETT 2/8/00

Signature Name (Printed) Date

EC004402001

EXH003-01315

S-11

EC004402002

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET
Addendum to DASH Signed March 22, 2000
Project Mercury

The valuation and purchase price for Project Mercury have changed since the original DASH was signed due to:

- movement in the commodity market;
- the exclusion of certain Value Added Services commodity contracts from the transaction;
- a refinement in the valuation of the impact associated with the recently adopted PG&E General Rate Case;
- the elimination of the assumed release in prudency currently on Mercury's books from the deal economics.

Based upon this revaluation, the negotiated purchase price of $22mm has changed to $20mm, resulting in a net decrease in expected NPV of $.5mm.

Value changes to Mercury (amounts in millions)

Commodity movement and PG&E Rate Case	5.8
Prudency Revaluation	-8.3
Purchase Price Reduction	2.0
Change in Deal NPV	-0.5

APPROVALS	Name	Signature	Date
EES Corp. Development	Mark Muller/ Jimmie Williams	[illegible]	4/7/2000
EES Commodity Mgmt.	Dennis Benevides	Dennis M. Benevides	4/6/2000
Legal	Vicki Sharp	Deborah Culver for VTS	4/7/2000
Regional Management	Lou Pai	[illegible]	4/6/00
Enron Gov. Affairs	Steve Kean/Jim Steffes	[illegible]	4/7/00
RAC Management	David Gorte	[illegible]	4/6/00
Enron Capital Management	Andy Fastow/Jeff McMahon	[illegible]	4/7/00
ENE Management	Jeffrey Skilling/Joe Sutton	Jeffrey K. Skilling	4/7/00

EC004402003

EXH003-01317

Approval of Acquisition of PG&E Energy Services Corporation

In accordance with §2.04 of the Amended and Restated Limited Liability Company Agreement of Enron Energy Services, LLC, ("EES"), dated as of December 31, 1997, Enron Corp., in its sole discretion, approves of the expansion of the business of EES in connection with its acquisition of PG&E Energy Services Corporation ("Services"), a California corporation, to include existing Services' commodity contracts and customers.

Jeffrey K. Skilling
President and Chief
Operating Officer
Enron Corp.

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EC004402004

EXH003-01318

Mercury Commodity Reconciliation

	4/4/2000	3/20/2000 (original DASH)	4/4 less 3/20
CA Retail Customer Mark	(1,739,811)	(882,390)	(857,421)
Wood GRC Decision		(6,435,000)	6,435,000
			-
Shared Savings	(342,734)	(342,734)	-
Early Outs	-	-	-
Lesser of Options *	(150,000)	(150,000)	-
Rate Cap. *	(459,000)	(459,000)	-
Missing Info.	(906,000)	(592,000)	(314,000)
Hydro Credit Adj.			
CA Retail Customer Mtm	**(3,597,545)**	**(8,861,124)**	**5,263,579**
MA Commodity	(587,000)	(587,000)	-
Gas Book	(2,854,345)	(2,854,345)	-
Credit Reserve Place Holder	(500,000)	(500,000)	-
Supply Hedge Value	35,196,680	34,710,384	486,296
Total Est. MtM	**27,657,790**	**21,907,915**	**5,749,875**
			-
PG&E Rate Alloc. Redesign @ 75%	6,674,750	6,674,750	-
Consumption @ .18%	(1,800,000)		(1,800,000)
Consumption @ .25%	-	3,692,694	(3,692,694)
Price Prudency @ $.35/Mwh	(560,000)	2,260,219	(2,820,219)
June 1 Close Date (Two Month Liq)	2,974,048	2,974,048	-
Total Est. MtM	**$ 34,946,588**	**$ 37,509,627**	**$ (2,563,038)**
Purchase Price	(20,000,000)	(22,000,000)	2,000,000
Deal NPV	**$ 14,946,588**	**$ 15,509,627**	**$ (563,038)**

EC004402005

EXH003-01319

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Mercury	Date DASH Completed: March 22, 2000
Counterparty: Quantum Ventures	RAC Analyst: Vlady Gorny
Business Unit: EES	Investment Type: Equity
Business Unit Originator: Mark Muller	Capital Funding Source(s): Balance Sheet
☐Public ☒Private	Expected Closing Date: June 2000
☐Merchant ☒Strategic	Expected Funding Date: June 2000
☐Conforming ☒Nonconforming	Board Approval: ☒Pending ☐Received ☐Denied ☐N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL REQUESTED

Enron Energy Services Operations (EESO) is seeking approval to acquire certain assets of PG&E Energy Services ("Mercury"), EESO's largest competitor, through a purchase of 100% of the stock of Quantum Ventures, a wholly-owned subsidiary of PG&E. The assets purchased include the retail power and gas books, billing systems and working capital – largely customer receivables.

EXPOSURE SUMMARY

Cash Payment	$20.0 million	(for retail power and gas books and the billing systems)
Credit Exposure	$ 4.0 million	(counterparty accounts receivable, including the benefit of PG&E guarantee and wholesale/retail credit risks)
Market Risk - Power	$ 4.5 million	(Overnight VaR of $1.3 million and liquidation period of 12 days)
- Gas	$ 0.7 million	(Overnight VaR of $0.3 million and liquidation period of 5 days)
Total "Risk Adjusted Capital"	**$29.2 million**	

DEAL DESCRIPTION

- **Strategy:** EESO will purchase the contracts and the related billing system from its largest competitor in the California, as PG&E Energy Services exits this market. Quantum Ventures' personnel (approximately 30 people) associated with the billing system will be initially retained by EESO.
- **Structure:** $20.0 million will be paid up front for the purchase of the power and gas commodity books. $80.0 million will be paid up front for the related working capital, which is 100% guaranteed by PG&E Corp. After 180 days, any uncollected accounts receivable will be repurchased at their original face amount, guaranteed by PG&E.
- **Commodity Portfolios:** Transaction creates a Net Open Power position of 3.3 million Mwhs – Short and Gas position of 3 Bcf - Short (Retail Electricity Load of 8.5 million Mwhs – Short and Retail Natural Gas Load of 15 Bcf – Short), mainly in California. The power positions extend through the end of 2003 and gas positions extend through 2001.

RETURN SUMMARY

Deal Valuation:	$35.0 million
Bid Amount:	<$20.0 million>
Deal NPV:	**$15.0 million**

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
EESO Balance Sheet	$100,000	Power Commodity Book	$20,000
		Working Capital	$80,000
Total*	$100,000		$100,000

*There is a working capital true up that will adjust the final purchase price. The anticipated final purchase price range is $90 – 100 million.

EC004402006

EXH003-01320

TRANSACTION UPSIDE/OPTIONALITY

Potential upside may be realized on the IT/Billing system and renewal/extension of retail customer contracts. The billing system is in balance (accurate) for the California market. EESO may be able to leverage this capability into its existing outsource agreement with Computer Science Corporation.

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Regulatory Risk:	
▪ Exposure to changes and redesigns of PG&E's unbundled tariffs and T&D tariffs, CTC roll-off date, duration of the CTC rebate period and PG&E Hydro generation valuation. ▪ Transaction requires FERC Approval under Section 203 of the Federal Power Act.	▪ Monitor closely PG&E rate cases, evaluate the CTC roll-off date on an on-going basis. Given low valuation of PG&E hydro generation, EES will consider acquiring hydro assets to manage the existing retail portfolio. ▪ Transaction will not close until FERC approval is obtained.
Market Risk:	
▪ Exposure to wholesale power and gas prices, ancillary service prices and intra-day load volatility.	• Hedge majority of the wholesale exposure through the respective desks.
Credit Risk:	
▪ MTM exposure related to retail and wholesale power and gas portfolios. ▪ Inability to collect customers' accounts receivable in the normal course of business (beyond 180 day closing).	▪ Credit reserve has been factored into the valuation of the deal for both the MTM exposure and A/R. ▪ PG&E (A2/A) provides a full guarantee on the A/R for the 180 day period. ▪ The reserve level and guarantee mitigate the credit risk since a proper due diligence on clients, financials and contracts could not be performed for confidentiality reasons.
Legal Risk:	
▪ Due diligence has been limited due to Mercury confidentiality concerns. ▪ FERC approval and HRS filing are required. ▪ Under the state anti-slamming rules, notice and opportunity to cancel service must be given to certain customers. ▪ The target has on-going liabilities related to excluded liabilities transferred out of the company prior to close. ▪ Enron Corp. guarantee.	▪ Where full due diligence was not conducted, EESO is relying on seller's representations with related sellers indemnity extending for 18 months for full amount of base purchase price. ▪ Approval on an expedited basis is expected. Obtaining approval is a condition for closing. ▪ These customers represent nominal value. ▪ EESO is obtaining a Quantum indemnity for such liabilities and a PG&E Guarantee.
IT/ Billing System:	
▪ The IT/Billing Systems are not directly compatible w/EESO software and hardware, some time will be required to make the adjustment.	▪ EESO is attempting to hire key Mercury staff to promote systems integration. ▪ 90 day overlap for integration.

KEY SUCCESS FACTORS

	Poor	Fair	Good	Very Good	Excellent
Core Business	-	-	-	-	X
Strategic Fit	-	-	-	-	X
Upside Potential	-	-	X	-	-
Risk Mitigation	-	-	X	-	-

EC004402007

EXH003-01321

OTHER RAC COMMENTS:

- The valuation of the deal incorporates assumptions that are not captured in the Exposure Summary: changes and rate allocation redesigns of PG&E unbundled utility tariffs, regulated T&D tariffs and CTC related issues. These are typical risks assumed in EESO transactions.

- The amount of PG&E's stranded costs depends on the valuation of PG&E's hydro generation. The valuation of the deal assumes that the assets will be valued at $2.9 billion (current book value of $1.2 billion). In the event that the hydro generation is valued at $2.0 billion – about 5% or less probability, the deal NPV will decrease by approximately $10 million.

- The due diligence to be performed by Enron personnel on the historical load data provided by PG&E. If the valuation is materially affected, the purchase price will be adjusted.

APPROVALS	Name	Signature	Date
EES Corp. Development	Mark Muller/ Jimmie Williams		
EES Commodity Mgmt.	Dennis Benevides		
Legal	Vicki Sharp		
Regional Management	Lou Pai		
Enron Gov. Affairs	Steve Kean/Jim Steffes		
RAC Management	David Gorte		
Enron Capital Management	Andy Fastow/Jeff McMahon		
ENE Management	Jeffrey Skilling/Joe Sutton		

Global Finance Summary (addendum to DASH)

1. Transaction Summary

	Amount ($000)
Total Deal/Project Capital Commitment	$100,000
Less: Financings	
Less: Syndications	-0-
Net Enron Investment	$100,000

2. Investment terms and pricing: ☐ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

3. Financing terms and pricing: ☐ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

4. Legal or practical liquidity restrictions: ☐ Unrestricted ☐ Legally Restricted ☐ Practically Restricted

Describe (if necessary):

5. Any recourse to Enron (other than investment): ☐ Recourse ☐ No Recourse

Describe (if any):

6a. Business unit intent to syndicate: ☐ None ☐ Partial ☐ All

Describe (if necessary):

6b. Intended Enron hold period:

6c. Likely Syndication Market:

☐ Industry/Strategic Partner
☐ Capital Markets
☐ JEDI 2
☐ LJM 1 or 2
☐ Other: ______________

☐ Direct Private Equity
☐ JEDI 1
☐ Enserco
☐ Condor
☐ Margaux

N/A – Equity Investment ON balance Sheet

6d. Is this a JEDI 2 "Qualified Investment"? ☐ Yes ☒ No

Global Finance Representative: Larry F. Derrett (Signature) Larry Derrett (Name (Printed)) 4/ (Date)

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Mercury
Counterparty: Quantum Ventures
Business Unit: EES
Business Unit Originator: Mark Muller
☐Public ☒Private
☐Merchant ☒Strategic
☐Conforming ☒Nonconforming

Date DASH Completed: March 22, 2000
RAC Analyst:
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: June 2000
Expected Funding Date: June 2000
Board Approval: ☒Pending ☐Received ☐Denied ☐N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL REQUESTED

EESO is seeking approval to acquire PG&E Energy Services ("Mercury"), EESO's largest competitor, through a 100% stock purchase from Quantum Ventures. The assets purchased include the retail power and gas books, billing systems, and working capital.

EXPOSURE SUMMARY

Cash Payment	$22.0 million
Credit Exposure	$ 4.0 million (includes A/R and retail book exposure)
Market Risk - Power	$ 4.5 million (Overnight VaR of $1.3 million and liquidation period of 12 days)
- Gas	$ 0.7 million (Overnight VaR of $0.3 million and liquidation period of 5 days)
Total "Risk Adjusted Capital"	**$31.2 million**

RETURN SUMMARY

Deal Valuation:	$37.5 million
Bid Amount:	<$22.0 million>
Deal NPV:	**$15.5 million**

OTHER RAC COMMENTS:

- Valuation of the deal incorporates assumptions that are not captured in the Exposure Summary: changes and rate allocation redesigns of PG&E unbundled utility tariffs, regulated T&D tariffs and CTC related issues.
- Amount of PG&E's stranded costs depends on the valuation of PG&E's hydro generation. The valuation of the deal assumes that the assets will be valued at $2.9 billion (current book value of $1.2 billion). In the event that the hydro generation is valued at $2.0 billion – about 5% or less probability, the deal NPV will decrease by ~$10 million.
- Due diligence to be performed on the historical load data provided by PG&E.

DEAL DESCRIPTION

- **Strategy:** EESO will purchase its largest competitor in the California market and a billing system.
- **Structure:** $22.0 million will be paid up front for the purchase of the power and gas commodity books. $78.0 million will be paid up front for the related working capital, which is 100% guaranteed by PG&E Corp. After 180 days, any uncollected accounts receivable will be sold back to seller, guaranteed by PG&E Corp.
- **Commodity Portfolios:** Transaction creates a Net Open Power position of 3.3 million Mwhs – Short and Gas position of 3 Bcf - Short (Electricity Load of 8.5 million Mwhs – Short and Natural Gas Load of 15 Bcf – Short), mainly in California. The power positions extend through the end of 2003 and gas positions extend through 2001.

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
EESO Balance Sheet	$100,000	Power Commodity Book	$22,000
		Working Capital	$78,000
Total*	$100,000		$100,000

*There is a working capital true up that will adjust the final purchase price. The anticipated final purchase price range is $90 – 100 million.

TRANSACTION UPSIDE/OPTIONALITY

Potential upside may be realized on the IT/Billing system and renewal/extension of retail customer contracts. The billing system is in balance (accurate) for the California market. EESO may be able to leverage this capability into its existing outsource agreement with Computer Science Corporation.

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Regulatory Risk:	
▪ Exposure to changes and redesigns of PG&E's unbundled tariffs and T&D tariffs, CTC roll-off date, duration of the CTC rebate period and PG&E Hydro generation valuation. ▪ Transaction requires FERC Approval under Section 203 of the Federal Power Act.	▪ Monitor closely PG&E rate cases, evaluate the CTC roll-off date on an on-going basis. Given low valuation of PG&E hydro generation, EES will consider acquiring hydro assets to manage the existing retail portfolio. ▪ Transaction will not close until FERC approval is obtained.
Market Risk:	
▪ Exposure to wholesale power and gas prices, ancillary service prices and intra-day load volatility.	• Hedge majority of the wholesale exposure through the respective desks.
Credit Risk:	
▪ MTM exposure related to retail and wholesale power and gas portfolios ▪ Inability to collect customers' accounts receivable in the normal course of business.	▪ Credit reserve has been factored into the valuation of the deal.
IT/ Billing System:	
▪ The IT/Billing Systems are not directly compatible w/EESO software and hardware, some time will be required to make the adjustment.	▪ EESO is attempting to hire key Mercury staff to promote systems integration. ▪ 90 day overlap for integration.
Legal Risk:	
▪ Due diligence has been limited due to Mercury confidentiality concerns.	▪ Where full due diligence was not conducted EESO, is relying on seller's representations with related sellers indemnity extending for 18 months for full amount of base purchase price.
▪ FERC approval and HSR filing are required.	▪ Approval on an expedited basis is expected ▪ Receipt of approval is a condition for closing
▪ Under state anti-slamming rules, notice and opportunity to cancel service must be given to certain customers.	▪ These customers represent nominal value.
▪ The target has ongoing liabilities related to excluded liabilities transferred out of the company prior to close.	▪ EESO is obtaining a Quantum indemnity for such liabilities and a PG&E Guarantee.
▪ Enron Corp. guarantee.	▪ Language to come if necessary.

KEY SUCCESS FACTORS

	Poor	Fair	Good	Very Good	Excellent
Core Business	-	-	-	-	X
Strategic Fit	-	-	-	-	X
Upside Potential	-	-	X	-	-
Risk Mitigation	-	-	X	-	-

EC004402013

RAC Deal Approval Sheet

Deal Name: Mercury

APPROVALS	Name	Signature	Date
EES Corp. Development	Mark Muller/ Jimmie Williams	[illegible]	3/22/00
EES Commodity Mgmt.	Dennis Benevides	Dennis M. Benevides	3/22/00
Legal	Vicki Sharp	Deborah Culver	3/22/00
Regional Management	Lou Pai	[illegible]	3/22/00
Enron Gov. Affairs	Steve Kean/Jim Steffes	[illegible]	3/22/00
RAC Management	David Gorte R. Buy	[illegible]	3/22/00
Enron Capital Management	Andy Fastow/Jeff McMahon		
ENE Management	Jeffrey Skilling/Joe Sutton		

EC004402014

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ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Nowa Sarzyna Equity Purchase
Counterparty: LJM2
Business Unit: EGF
Business Unit Originator: Anne Edgley
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: 30 March 2000
RAC Analyst: Olivier Herbelot
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 31 March 2000
Expected Funding Date: 31 March 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

APPROVAL AMOUNT REQUESTED

Capital Commitment: $10.63 million to purchase from LJM2 a 25% indirect equity in the Nowa Sarzyna Facility ("ENS")
Bid Bond Amount: N/A

EXPOSURE SUMMARY

Commodity Exposure:	N/A
Associated Guaranties/Contractual Obligations:	N/A
Existing Exposure:	$ 4.65 million (25% of equity in ENS – cost basis)
Total	$15.28 million

DEAL DESCRIPTION

Purchase of additional 25% indirect equity in ENS, a gas fired heat and power station in SouthEastern Poland with a generating capacity of 116MW and thermal generating capacity of 70MW. Power will be sold to the Polish Grid Company under a 20 year Power Delivery Agreement. The price of energy and capacity is expressed in Zlotys but indexed to the USD every 6 months for the previous 6 months. The Polish Oil and Gas Company (a state-owned integrated monopoly that controls the entire gas sector in Poland) will supply natural gas to ENS under a 20 year Fuel Supply Agreement. The fixed and variable price of fuel is passed through the power and steam sales agreements. ENS has agreed to sell low and high pressure steam to Organika (state owned chemical company) under a 20 year steam sales agreement. This agreement represents approximately 90% of the facility's total thermal output, with ENS negotiating to sell the remaining 10% of thermal energy to the City of Nowa Sarzyna for residential heating purposes.

Enron originally owned 100% of the equity in ENS but sold 75% of it in December 1999 to LJM2 for $30 million. At the time, Enron Europe committed to making reasonable and best efforts to sell LJM2's equity interests to a "qualified" third party buyer or to Margaux (provided that Margaux was launched by 31 March 2000, which won't be the case).

RETURN SUMMARY

Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	(10.6)	-
Fees	-	-
Intermed. Cash Flows	7.8	
Terminal Value	2.0	
Total NPV	**(0.8)**	**12.5%**

Capital Price Components	
Risk free rate (%):	6.2%
Equity/Credit premium (%):	
Country Premium (%):	1.4%
Transaction-Specific (%):	5.7%
RAC CAPITAL PRICE:	**13.3%**

Note: Those figures correspond to RAC's best current estimate but a zero NPV would be within the margin of error at this stage.

EXIT STRATEGY

Whilst Enron will continue to hold indirectly 50% of ENS, approximately 60% of the value of the asset will be raised as debt through the Margaux structure and certain risks related to the operations of the plant (reduction in availability due to equipment failure and increase in heat rate) will be passed to the debt holders. The Margaux structure does not limit our ability to sell the asset to a third party.

EC004402016

EXH003-01330

RISK MATRIX (Main 5 Risks Only)

DESCRIPTION	MITIGATION/COMMENTS
Plant Completion Delays	The plant was originally scheduled for completion in December 1999. Final tests before anticipated completion were carried out on 14 February 2000. Investigations are ongoing to determine why an oil pump stopped working during the test, which required plant shut down. As a result, a replacement rotor has been ordered for the damaged rotor, however, it is being determined if the damaged rotor, after servicing, can be used until the new rotor arrives. Subject to insurer's agreement, EE&CC is hoping to get the plant into commercial operation by May 2000. Delay in start up insurance is expected to cover the L/Ds that could become payable under the gas supply and power/steam sales agreements as well as possible debt service requirements (the total of which could reach up to $37 million if the plant is commissioned with a year delay). The project company would however have to cover the first month of L/D's and interest, resulting in a potential negative cash flow of $6 million, as modeled in the return calculation reported above.
Tariff Regulation	Due to recent changes in regulations, ENS had to submit for approval to the regulatory authority a cap on the power tariff which will be in place for the remainder of 2000. This cap is Zloty 212.96/MWh (equivalent to 5.3 c/kWh), 6% higher than the initial tariff for the year. Therefore, ENS will only be able to pass through Zloty/USD devaluation for up to 6% before Enron's returns are affected. At this stage, it is expected that a new cap will be negotiated each year with the regulator on the basis of cost justifications provided by ENS.
Other Risks	They remain the same as per DASH dated 10 May 1999.

KEY SUCCESS FACTORS

	NA	Poor			Excellent
Core Business					X
Strategic Fit				X	
Upside Potential		X			
Management					
Risk Mitigation			X		

OTHER RAC COMMENTS:

APPROVALS	Name	Signature	Date
Business Originator	Anne Edgley		
Regional Mgmt.	Mark Frevert		
Legal	Michael Brown		
RAC Management	Dave Gorte	David B. Gorte	3/31/00
	Steve Young		
Enron Global Finance	Jeff McMahon		
	Paul Chivers		
ENE Management	Joe Sutton		

EC004402017

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EXH003-01331

RAC Deal Approval Sheet | Deal Name: Nowa Sarzyna Equity Purchase

APPROVALS	Name	Signature	Date
Business Originator	Anne Edgley	A.J. [illegible]	31.03.00
Regional Mgmt.	Mark Frevert		
Legal	Michael Brown	[illegible]	
RAC Management	Dave Gorte	[illegible]	
	Steve Young		31/03/00
Enron Global Finance	Jeff McMahon		
	Paul Chivers	A.J. [illegible]	31.03.00
ENE Management	Joe Sutton	[illegible]	31/3/00

RAC Deal Approval Sheet Deal Name: Nowa Sarzyna Equity Purchase

APPROVALS	Name	Signature	Date
Business Originator	Anne Edgley	A. J. Edgl	31.03.00
Regional Mgmt.	Mark Frevert		
Legal	Michael Brown		
RAC Management	Dave Gorte		31/03/00
	Steve Young		
Enron Global Finance	Jeff McMahon		
	Paul Chivers	A. J. Edgl	31.03.00
ENE Management	Joe Sutton		

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EC004402019 TOTAL P.02

EXH003-01333

RAC Deal Approval Sheet Deal Name: Nowa Sarzyna Equity Purchase

Global Finance Summary (addendum to DASH)

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$10,000
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$10,000

2. **Investment terms and pricing:** ❑ Market ❑ Above Market ❑ Below Market

Describe (if necessary):

3. **Financing terms and pricing:** ❑ Market ❑ Above Market ❑ Below Market

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ❑ Unrestricted ❑ Legally Restricted ❑ Practically Restricted

Describe (if necessary):

5. **Any recourse to Enron (other than investment):** ❑ Recourse ❑ No Recourse

Describe (if any):

6a. **Business unit intent to syndicate:** ❑ None ❑ Partial ❑ All

Describe (if necessary):

6b. **Intended Enron hold period:**

6c. **Likely Syndication Market:**

- ❑ **Industry/Strategic Partner**
- ❑ **Capital Markets**
- ❑ **JEDI 2**
- ❑ **LJM 1 or 2**
- ❑ **Other:** ______________
- ❑ **Direct Private Equity**
- ❑ **JEDI 1**
- ❑ **Enserco**
- ❑ **Condor**
- ❑ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ❑ Yes ❑ No

Global Finance Representative: ______________ ______________ ______________

Signature Name (Printed) Date

RAC Deal Approval Sheet **Deal Name: Nowa Sarzyna Equity Purchase**

APPROVALS	Name	Signature	Date
Business Originator	Anne Edgley	A.J. Edgley	31.03.00
Regional Mgmt.	Mark Frevert	[illegible] M Frevert	31-3-00
Legal	Michael Brown		
RAC Management	Dave Gorte	[illegible]	31/03/00
	Steve Young		
Enron Global Finance	Jeff McMahon	A.J. Edgley	31.03.00
	Paul Chivers		
ENE Management	Joe Sutton		

EC004402021

S-13

EC004402022

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Powder River III

Business Unit: Enron Midstream Services/Enron North America
Business Unit Originator: Brian Bierbach
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: 20 March 2000
RAC Analyst: Daniella Carneiro
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 01 April 2000
Expected Funding Date: 01 June 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment	$22.5MM[1]
Bid Bond Amount	NA

[1] P95 of simulated cash outflows. P5 of simulated cash outflows is $15.6MM

EXPOSURE SUMMARY

This transaction:	$18.7MM
Total	$18.7MM[2]

[2] Mean of simulated cash outflows (P50). Expected returns are based on outflows of $18.7MM.

DEAL DESCRIPTION

Enron North America is seeking approval for $22.5MM (P95) of capital expenditures to develop five coal bed methane gathering systems in the Powder River Basin of Wyoming. At this time, no partners are contemplated in this venture. These systems would gather gas from coal bed methane (CBM) wells and deliver it into the Ft. Union Pipeline (1/3 owned by Enron). ENA has already negotiated gathering and compressing rates over the life of the reserves (8-10 year period), which are incremental to the rates ENA will earn when it flows the gas through Ft. Union. ENA has negotiated an outsourcing agreement with Hanover Compression for the operation and maintenance of the gathering system and will pay a variable charge per Mcf.

ENA will make capital expenditures on an incremental basis, as test wells exhibit enough volume to economically justify installation/expansion of the gathering systems infrastructure. This ability to delay much of the investment until after the producers have proved up their property provides significant risk mitigation.

The proposed deal is supported by higher than expected volumes (25%) metered on the Powder River II project.

TRANSACTION SOURCES AND USES OF FUNDS ('000)

	Sources		Uses
Enron Equity	$18,744 *	Capital Expenditures	$18,744
Total	$18,744		$18,744

*** Mean of simulated cash outflows (P50)**

RETURN SUMMARY ('000)

Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	($18,744)	-
Fees	$0	-
Intermed. Cash Flows	$17,991	17.05%
Terminal Value	$1,645	22.34%
Total NPV	**$893**	**22.34%**

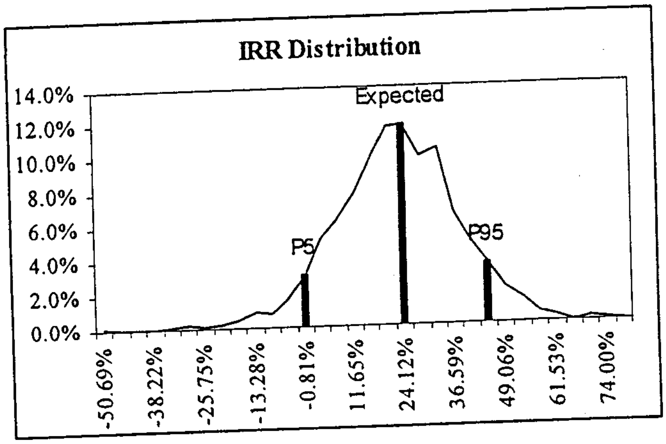
Capital Price Components	
Risk free rate (%):	6.63%
Equity/Credit premium (%):	5.02%
Industry Segment Adjustment:	0%
Project/Liquidity Premium (%):	7.85%
RAC CAPITAL PRICE:	**19.50%**

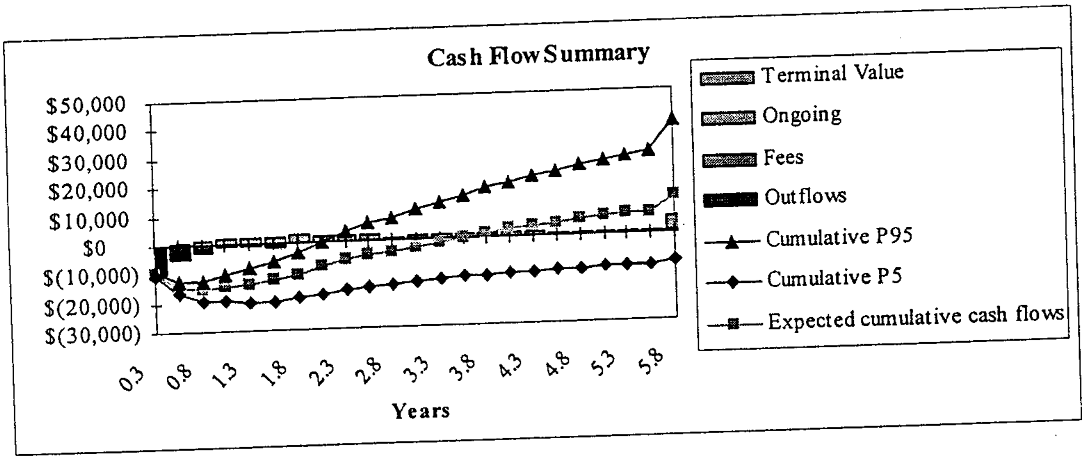
E-Rating	7	Relative upside ratio*	1.52

* See RAC Comments Section for explanation

EC004402023

EXH003-01337





CASH FLOW SUMMARY

Weighted average life: 3.2 years

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Gas Volumes • Ultimate Recovery Per Well • Number of Wells	• ENA will make capital expenditures on an incremental basis, as test wells exhibit enough volume to economically justify installation/expansion of the gathering systems infrastructure. • Per-producer EUR volumes were estimated by RAC Resources Valuation
Competing Gathering Lines	• Competition for gathering rights could drive rates down and could reduce volumes available to ENA. Negotiations are substantially completed with multiple producers covering the acreage dedications assumed in the base-case analysis.
Drilling Rates	• The rate at which the producers develop their property affects the timing of project cash flows. Basin activity is currently very high. Producers' plans were incorporated into the base-case analysis; however, if activity slows, gathering system CapEx will be reduced or delayed commensurately.

Cost Control • CapEx • OpEx	• Enron Midstream Services (Denver Office) will manage operating and capital expenditures. Hannover Compressor, an experienced operator in the Basin, will operate the Gathering and Compression system. Compression is a major portion of total expenditures. Hannover has agreed to install screw compressors (but not the reciprocating units) on a flat fee basis and charge a standard volumetric rate for compression.

KEY SUCCESS FACTORS

	Yes/ NA	Poor				Excellent
Core Business	Yes					X
Strategic Fit	Yes					X
Upside Potential	Yes				X	
Management	Yes				X	
Risk Mitigation	Yes			X		

OTHER RAC COMMENTS:

Relative Upside Ratio: The variance of returns on the right side of a distribution divided by the variance of returns on the left side of the same distribution. A normal distribution would have a relative upside ratio of 1 since the sides are perfectly symmetrical. Ratios greater than 1 have more upside than downside.

APPROVALS	Name	Signature	Date
Business Unit Originator	Brian Bierbach		3/20/00
Business Unit Management	Brian Redmond		3/20/00
RAC Management	David Gorte/Rick Buy		3/20/00
ENA CTG	Ray Bowen / Jeff Donahue		3/20/00
ECM Management	Andy Fastow/Jeff McMahon		
ENA Legal	Mark Haedicke	by:	3/20/00
ENA Management	~~Greg Whalley/Cliff Baxter~~ DAVE DELAINEY		3/21/00
ENE Management	Jeff ~~Skilling~~ Jeff Skilling		3/28/00

EC004402025

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EXH003-01339

RAC Deal Approval Sheet

Deal Name: Powder River III

Global Finance Summary

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$22,533
Less: Financing	-0-
Less: Syndication's	-0-
Net Enron Investment	$22,533

2. **Investment terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

3. **Financing terms and pricing:** ☐ Market ☐ Above Market ☐ Below Market ☒N/A

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ☒ Unrestricted ☐ Legally Restricted ☐ Practically Restricted

Describe (if necessary):

5. **Any recourse to Enron (other than investment):** ☐ Recourse ☒ No Recourse

Describe (if any):

6a. **Business unit intent to syndicate:** ☒ None ☐ Partial ☐ All

Describe (if necessary):

6b. **Intended Enron hold period:** Strategic Investment

6c. **Likely Syndication Market:**

☐ Industry/Strategic Partner
- **☐ Capital Markets**
- **☐ JEDI 2**
- **☐ LJM 1 or 2**
- **☐ Other: ____________**

☐ Direct Private Equity
- **☐ JEDI 1**
- **☐ Enserco**
- **☐ Condor**
- **☐ Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☒ No

Global Finance Representative: [signature] Signature — Joe Deffner, Name — 3-21-00, Date

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EC004402026

EXH003-01340

S-14

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Property Acquisition
Counterparty: Wockhardt, Ltd.
Business Unit: Enron India
Business Unit Originator: P Sreekumar
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: 03/29/00
RAC Analyst: Jin Guo
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 03/31/00
Expected Funding Date: 03/31/00
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Enron India requests approval up to $40 million for purchase and buildout/furnishing of 138,000 Sq.Ft. of office space in Mumbai, India. In addition, approval of an Enron Corp. guarantee of Indian Rupee-denominated bonds in the equivalent of $40,000,000 as of the issue date is requested.

EXPOSURE SUMMARY

Indian Rupee equivalent of up to US$ 40 million

DEAL SUMMARY

Enron India seeks to purchase, via an 80-year lease arrangement, five floors consisting of 138,000 square feet in a newly constructed eight-story office building in Mumbai, India. The region seeks to consolidate its existing businesses, which currently occupy approximately 50,000 square feet of office space, and its communication operation's new data center, which with related operations is expected to require approximately 58,000 square feet, into a single facility.

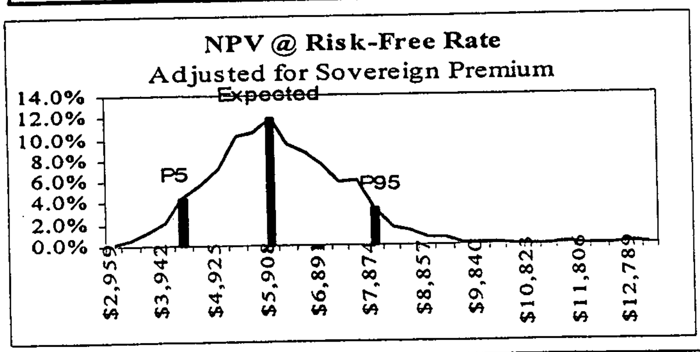
TRANSACTION SOURCES AND USES OF FUNDS

Sources ($Thousands)		Uses ($Thousands)	
Balance Sheet – Dollar Denominated (expected to be refinanced through an Indian Rs.-denominated Enron-guaranteed bond)	40,000	Acquisition of 138,000 Sq.Ft. of office space	32,000
		Buildout of acquired space	8,000
			40,000

RETURN SUMMARY

Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	-	NA
Fees	-	-100%
Intermed. Cash Flows	$3,206	-
Terminal Value	-	-
Total NPV	**$3,206**	-

Capital Price Components	
Risk free rate (%):	6.86%
Equity/Credit premium (%):	5.02%
Country Premium (%):	0.00%
Transaction-Specific (%):	2.12%
RAC CAPITAL PRICE:	**14.00%**



Notes: Due to multiple cash inflows and outflows in different years, the chart for NPV at Risk-Free Rate is showed instead of IRR Distribution Chart.

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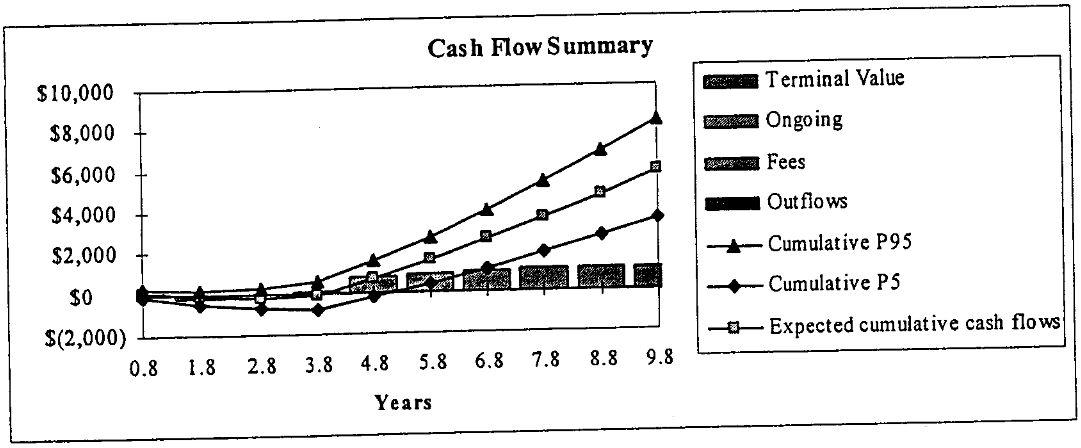
EXH003-01342



DEAL DESCRIPTION

Enron India recommends the purchase of 138,000 square feet of office space to house its four affiliates: Dabhol Power Company (DPC), Enron Global Exploration and Production (EGEP), Enron India Private Limited (EIPL) and MetGas. At present, these entities are in office space spread throughout Mumbai. The total cumulative area taken on lease as office space by these four companies is approximately 50,000 Square Feet (Sq.Ft.). While EIPL is situated in South Mumbai, the other three are located in different locations in the suburban area of Mumbai at a distance of 15-25 kms from EIPL's office. The decentralized offices have the following disadvantages for Enron's Indian Operations:

- Co-ordination problem between the various affiliates and significant travel time between offices
- Large aggregate cash outflow in the form of rent
- No hedge of future office rent or asset creation for Enron.
- In-efficient ways of acquiring property for the expansion needs of each of the affiliates
- Difficult to enhance "One Enron" concept with employees located at multiple locations

In addition, establishing a data center in Mumbai, an important part of the Communications Business Strategy of Enron India, will require large permanent space for servers and associated infrastructure. This further prompts consideration of ownership of permanent office space.

With an aim to eliminate the above listed disadvantages, Enron India proposes to purchase, via an eighty-year lease, office space in a central location in Mumbai and move all of Enron's Indian affiliates into the same building. The office location recommended, after market research, is a building in the Bandra-Kurla Complex, which is currently owned by Wockhardt, Limited. The Bandra Kurla Complex (BKC) is becoming the preferred location for office space due to its central location in Mumbai as well as low property rates and it's proximity to the domestic and international airports. Reputable companies like ICICI, Citibank, Unit Trust of India, and IL&FS have relocated from South Mumbai to BKC.

The building is an eight-story building. EIPL proposes to acquire a total Built Up Area (BUA) of 138,000 sq. ft. consisting of the basement and five floors. The building will also have a parking space for about 100 cars (exclusive for Enron). Enron also has the option of having the building named after itself (e.g.: "Enron Towers").

The total area of 138,000 Sq.Ft. will be divided between the various affiliates based on their forecasted requirements. Additionally, plans include a cafeteria, gymnasium and a common lobby on the ground floor of the building.

Enron Global Exploration and Production has indicated interest in this space but has not yet committed to this space. This business unit is presently conducting internal evaluations and discussions with partners. Should they forego the allotted space, extra space will be rented to third parties. The space existing and proposed space allocation between the various affiliates is indicated below:

EC004402029

Space Allocation Table

Company	Area (Square Feet)	
	Existing	Proposed
Dabhol Power Company	9,220	14,000
Enron Global ENP	22,553	28,528
Enron India Private Ltd.	11,685	18,160
EIPL (Communications)	0	51,120
MetGas	6,051	10,000
Café/Gym/Lobby	0	16,632
Total	49,509	138,440

EIPL proposes to acquire the property by issuing Rupee denominated bonds. The Indian Rupee bond issue, estimated to be US$ 40 million, will be backed by the corporate guarantee of Enron Corp.

The purchase will be in the form of an 80-year sublease from Wockhardt Limited. EIPL will hold the property in its own name and sign a "Shared Services Agreement" with each of the Enron affiliates. The Rupee bonds issued by EIPL will be serviced by cash flow from rents received from affiliates, as well as from the terminal value of the building.

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Risk that space requirements for Enron's Indian Operations are Insufficient Risk all Enron units in India do not relocate to purchased Building	The existing space leased by all Enron units, plus the proposed Communication's unit data center, total less than 80% of the space to be purchased. The Indian business units presently pay pro-forma annual lease payments of $3.4 million, compared to $4.2 million under the proposed purchase, albeit for significantly more square footage. These risks are mitigated by the growing nature of Enron's Indian operations and would be further mitigated by EGEP's commitment to lease space in this building. Moreover, should Enron not be able to fill all its available space in the building, leasing unused space of one-half floor or more to others, while not a core business can significantly mitigate this risk.
Residual Value Risk: Risk building value will decline during ownership period.	Commercial real estate values in Mumbai were volatile during the 1990s, increasing significantly in 1991-1995 and declining significantly in 1995-1998, before a recent period of moderate appreciation. This risk is mitigated by the assumed fifteen-year holding period for this building and by the fact that the economics remain acceptable even assuming no price appreciation in the residual value of the building. The expected returns from this investment are widely scattered because of the large expected variation in the terminal value.
Currency Risk/Political Risk	The currency risk of this investment is largely hedged through the planned financing of local currency denominated bonds. Some currency risk will occur from the purchase date until the bonds are issued. The investment also carries the normal political risks of investments in India: expropriation, inconvertibility of sales proceeds, political violence, etc. The ownership of the building increases these risks relative to Enron's present tenant status.

EC004402030

EXH003-01344

EXHIBIT II

Projected Cashflow & Running NPV

In Thousands															
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Projected Average Cashflow	62	(217)	(52)	104	767	866	967	1,051	1,086	1,098	1,140	1,183	1,073	1,095	1,158
15 Year Running NPV@14%	62	(128)	(168)	(98)	356	806	1,247	1,667	2,048	2,385	2,693	2,972	3,195	3,395	3,579
Projected NPV@14%*	3,579														

Notes: The NPV in Exhibit II is slightly different from that in DASH. The NPV in DASH is the average of probabilistic NPV and the NPV in Exhibit II is the NPV from the probabilistic average cash flows.

EC004402031

EXHIBIT I

PURCHASE ECONOMICS

The total acquisition cost of the 138,000 sq. ft. BUA for bare walls (without buildout / furnishing) is Rs. 1400 MM (US$ 32 MM). Buildout/furnishing is estimated at around Rs. 350 MM (US$ 8 MM). Total acquisition cost is itemized below:

Building Acquisition Cost

Item	Rs MM	Equivalent US$ MM
Building Cost	1250	28.6
Stamp Duty/Other Charges	150	3.4
Buildout/Furnishing	350	8.0
Total Acquisition Cost	**1750**	**40.0**

Present lease agreements show Enron affiliates are paying rent which varies from Rs. 188/sq. ft./month (EIPL) to Rs. 81/sq. ft./month (MetGas). There is a security deposit, 11.5% of annual rent.

Rent of Rs. 110/sq. ft./month, (not including furnishings) is proposed by EIPL. Proposed rent verses existing rent is shown in the table below. An existing + expansion comparison, considers leasing other space at prevailing market rates.

Comparison of Rent Expense

Per Annum	Existing			Existing + Expansion*			Proposed		
Parameter ---->	SqFt	Effective Rent (Rs/SF/M)	Annual Rent (US$ MM)	SqFt	Effective Rent (Rs/SF/M)	Annual Rent (US$ MM)	SqFt	Effective Rent ** (Rs/SF/M)	Annual Rent (US$ MM)
Communications	-	-	-	58,100	120	1.90	58,100	110	1.74
DPC	9,220	86	0.22	15,912	86	0.37	15,912	110	0.48
Enron Global ENP	22,553	92	0.57	32,423	92	0.81	32,423	110	0.97
MetGas	6,051	81	0.13	11,365	99	0.31	11,365	110	0.34
EIPL	11,685	188	0.60	20,640	168	0.95	20,640	110	0.62
Total	**49,509**	**107**	**1.52**	**138,440**	**115**	**4.34**	**138,440**	**110**	**4.15**

(* It is assumed that Enron Affiliates rent out new property at the same location as they are presently occupying)
(** Furnishing/buildout charges to be recovered separately)

The above table shows the rent expense including expansion to be US$ 4.34 MM per annum to be in excess of the proposed EIPL proposed rent of US$ 4.15 MM per annum.

EC004402032

EXH003-01346

Global Finance Summary (addendum to DASH)

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$40,000
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$40,000

2. **Investment terms and pricing:** X Market ❑ Above Market ❑ Below Market

   Describe (if necessary):This is an acquisition of a first-class building in Bombay to house all of Enron's current and future Indian businesses.

3. **Financing terms and pricing:** X❑ Market ❑ Above Market ❑ Below Market

   Describe (if necessary): The purchase price and buildout will be financed via a rupee denominated bond offering in the Indian financial markets with a guarantee from Enron Corp. Expected interest rate is in the range of 11% to 13% for five years fixed rate.

4. **Legal or practical liquidity restrictions:** ❑ Unrestricted ❑ Legally Restricted X❑ Practically Restricted

   Describe (if necessary): Since this is real estate, it's liquidity is dictated by the relative strength of the real estate market in Bombay at the time we try to sell it or sublease it. There are no legal restrictions to prevent a sale or sublease.

5. **Any recourse to Enron (other than investment):** X❑ Recourse ❑ No Recourse

   Describe (if any): As described above, the financing will be guaranteed by Enron.

6a. **Business unit intent to syndicate:** X❑ None ❑ Partial ❑ All

   Describe (if necessary): Not Applicable

6b. **Intended Enron hold period:** Until we outgrow the office space.

6c. **Likely Syndication Market:** N/A

- ❑ **Industry/Strategic Partner**
- ❑ **Capital Markets**
- ❑ **JEDI 2**
- ❑ **LJM 1 or 2**
- ❑ **Other:** ____________
- ❑ **Direct Private Equity**
- ❑ **JEDI 1**
- ❑ **Enserco**
- ❑ **Condor**
- ❑ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ❑ Yes X❑ No

EC004402033

Global Finance Representative: William D Gathmann _William D. Gathmann_ _March 29, 2000_

Signature Name (Printed) Date

EC004402034

INTEROFFICE MEMORANDUM

To: Joe Sutton

From: Dave Gorte DBG

Date: March 29, 2000

Re: Property Acquisition/India Building Purchase DASH

This memorandum will confirm that I have received a voice mail from Jeff McMahon indicating his approval of the above transaction. He will sign this DASH upon his return on Friday.

KEY SUCCESS FACTORS

	NA	Poor ... Excellent
Core Business		X
Strategic Fit		X
Upside Potential		X
Management	X	
Risk Mitigation		X

OTHER RAC COMMENTS:

The economics of this investment are driven significantly by the residual value of the property. Commercial real estate values in India have been volatile; as a result, the projected returns for this investment are widely dispersed.

APPROVALS	Name	Signature	Date
Region Originator	P Sreekumar		
Region Legal	Sandeep Katwala		
Region Management	Sanjay Bhatnagar/Wade Cline		
RAC Management	Rick Buy/Dave Gorte		
ENE Management	Joe Sutton		
ENE Management	Ken Lay/Jeff Skilling		
Enron Capital Management	Andy Fastow/Jeff McMahon	JM McMahon	

EC004402036

RAC Deal Approval Sheet

KEY SUCCESS FACTORS

	NA	Poor … Excellent
Core Business		X
Strategic Fit		X
Upside Potential		X
Management	X	
Risk Mitigation		X

OTHER RAC COMMENTS:

The economics of this investment are driven significantly by the residual value of the property. Commercial real estate values in India have been volatile; as a result, the projected returns for this investment are widely dispersed.

APPROVALS	Name	Signature	Date
Region Originator	P Sreekumar		29/3/00
Region Legal	Sandeep Katwala		29/3/00
Region Management	Sanjay Bhatnagar/Wade Cline		29/3/00
RAC Management	Rick Buy/Dave Gorte		29/3/00
ENE Management	Joe Sutton		29/3/00
ENE Management	Ken Lay/Jeff Skilling		29/3/00
Enron Capital Management	Andy Fastow/Jeff McMahon		

S-15

EC004402038

EXH003-01352

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: South America Fiber Optic Network
Counterparty: TBG – Transportadora Brasileira
Gasoduto Bolivia - Brasil S.A.
Business Unit: ESA (50%) / EBS (50%)
Business Unit Originator: Pravin Jain
☐Public ☒Private
☐Merchant ☒Strategic
☐Conforming ☒Nonconforming

Date DASH Completed: 01 March 2000
RAC Analyst: Daniella Carneiro / Juan Samudio
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 03 March 2000
Expected Funding Date: TBD
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment $10,054

EXPOSURE SUMMARY

This transaction: $10,054
Total $10,054*

* Actual construction on the Right of Way is estimated to cost an additional $51MM if multiple subduct conduits are installed (allows up to three expansions), and $43MM if single-subduct conduits are used (option for one expansion only).

DEAL DESCRIPTION

Enron South America and Broadband Services propose to spend $10MM for the purchase of a non-exclusive perfected use of Rights of Way ("ROW") along a 987-kilometer segment of the pipeline from Campinas to Porto Alegre from TBG – Transportadora Brasileira Gasoduto Bolivia-Brasil S.A. Population along this route is over 6.6 million (4% of Brazilian population) and accounts for 8.7% of the Brazilian total purchasing power. A proposed fiber swap would extend the network reach over an additional 950km, connecting the original network to the prime cities of São Paulo, Rio de Janeiro and Belo Horizonte. Population in the swapped route exceeds 22.1 million (13% of population), and accounts for 27.2% of the country's purchasing power. The purchase of the ROW is subject to two conditions precedent: (a) Resolution of a 189km ROW gap, and (b) Obtaining licensing from ANP and ANATEL.

The ROW will not provide revenues directly, but will clarify Enron's and Petrobrás' position in the market and will provide several commercial options going forward.

<u>Enron's Position</u>
By purchasing the ROW Enron will have demonstrated willingness to build along the proposed route. With the resolution of the ROW gap and by obtaining regulatory approval, Enron will become a more credible seller of fiber in the marketplace. It will become more economical for firms to purchase fibers from Enron than to spread the fixed cost of ROW and construction of a network themselves.

<u>Petrobrás' Position</u>
As a condition precedent to the sale, Enron must obtain ROW along 189km owned by Petrobrás rather than the pipeline, or along a satisfactory alternate route (i.e. highways, railroads). Petrobrás owns a 51% stake in TBG and has delayed negotiations as it tries to decide its own future role in the telecom market in Brazil. The Deal Team can leverage Enron's purchase of ROW to put additional commercial pressure on Petrobrás with the potential for legal/regulatory pressure to follow.

<u>Commercial Options</u>

1. Sell fiber to a third party. The break-even $909/km (based on a $43MM construction cost) for 48 fibers supports deal offered to Intelig at $1,180/km.
2. Sell fibers to EBS for developing their network
   - The favorable conclusion of a proposed strategic swap with Intelig will give Enron valuable mileage for increased network reach which in turn could provide a South America platform for EIN, broadband intermediation and content delivery services.
3. Option to increase the number of fibers based on demand up to three times, and up to 216 fibers per expansion.

Capital Investment	Description of Investment	Estimated Timing
$ 10,054,000	TBG Pipeline use of ROW - Campinas - Porto Alegre	Current
$ 51,000,000	Construction of 48 Fiber 2 conduit network Campinas - Porto Alegre	2Q 2000

EC004402039

EXH003-01353

RAC Deal Approval Sheet — Deal Name: South America Fiber Optic Network

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
50% ESA/ 50% EBS Equity	$10,054	Capital Expenditure (ROW)	$10,054
Total	$10,054		$10,054

RETURN SUMMARY

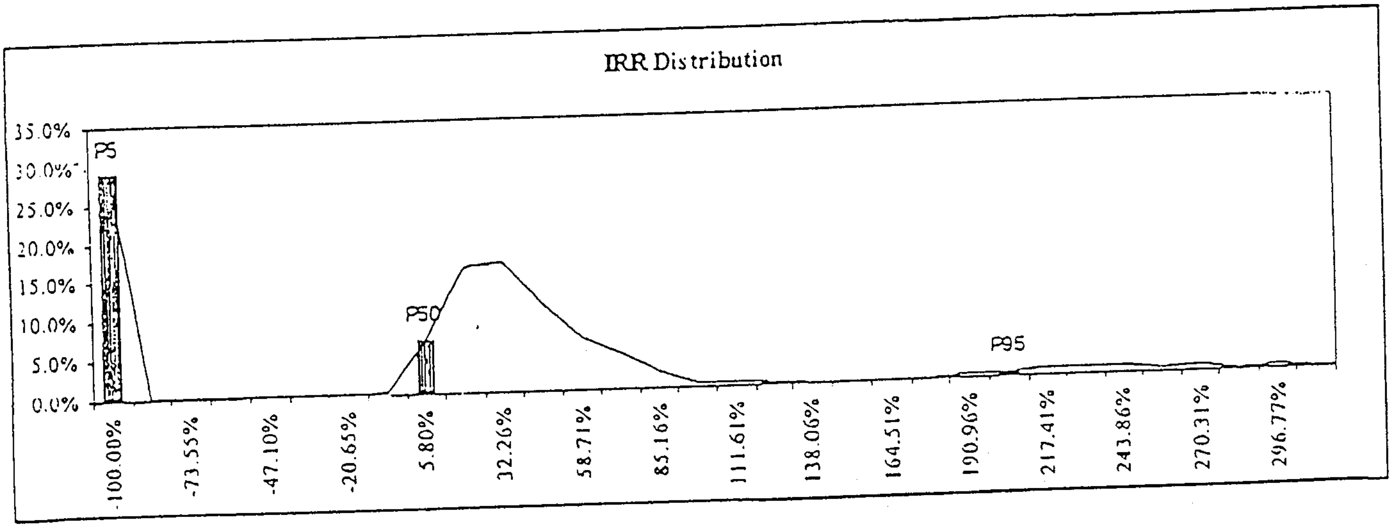
* Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	($38,385)	N/A
Fees	$0	-100.00%
Intermed. Cash Flows	$39,154	28.62%
Terminal Value	$0	28.62%
Total NPV	$769	28.62%

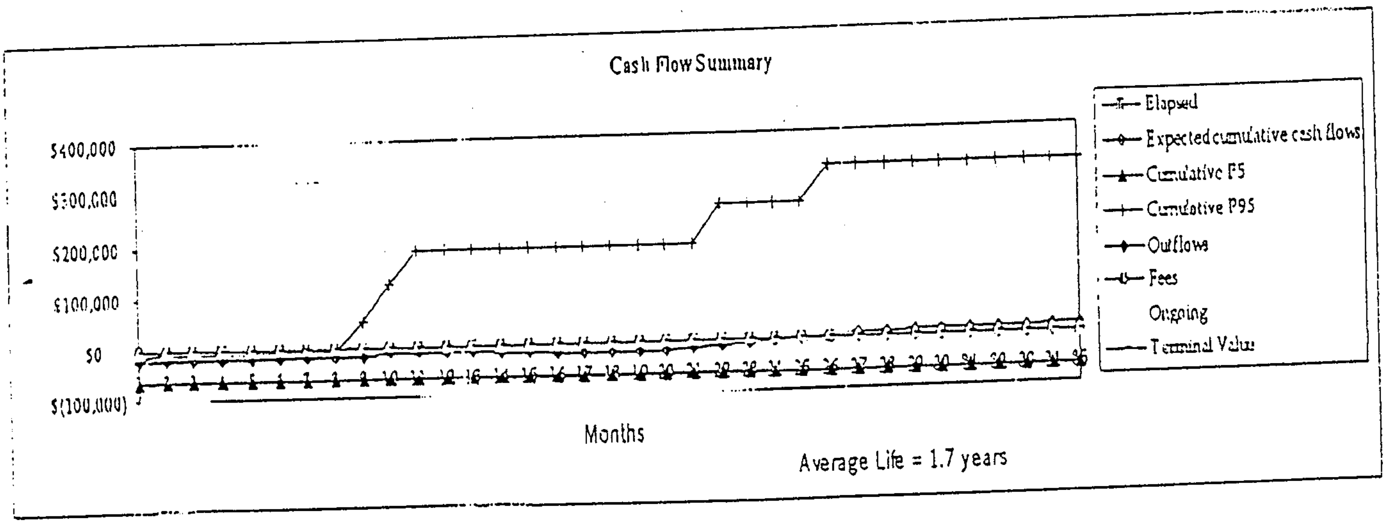
Capital Price Components	
Risk free rate (%):	6.39%
Equity/Credit premium (%):	5.02%
Country Premium (%):	5.80%
Transaction-Specific (%):	11.79%
RAC CAPITAL PRICE:	26.00%

E-Rating 9

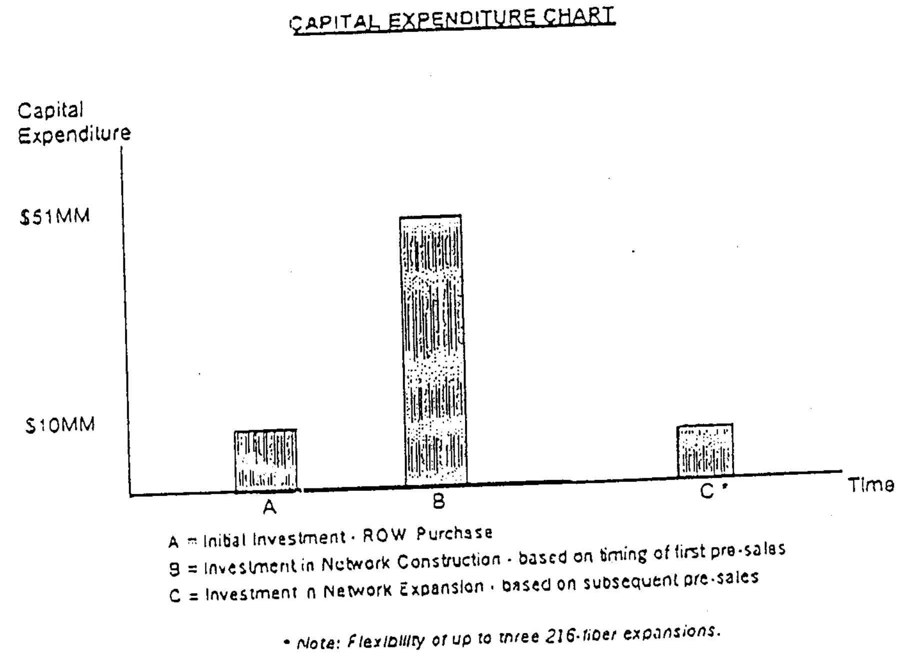
Relative upside ratio 2.253

* *Note: Cash flows reflect the probability that the Build and Expansion options are exercised, which will be treated as separate transactions.*





CAPITAL EXPENDITURE CHART



TRANSACTION UPSIDES/OPTIONALITIES

I. Expansion

- Multiple subducts allow the option to install additional fibers in conduit based on pre-sales. There is significant value in this option as the investment in the purchase and installation of each set of 48 fibers costs approximately $9MM, while the deal team estimates the 48 fibers could be sold for as much as $117MM. This probability has been included in the model and causes the tail.

II. Swap

- A proposed swap transaction with Intelig would extend the reach of the fiber network from 1,220km to 2,170km, and connect the prime cities of the Brazilian South/Southeast region. The cities connected by the network after the swap transaction account for 18% of the Brazilian population of 163 million, and 36% of the country's purchasing power.
- Having access to these prime cities would provide EBS with a strategic benefit in constructing its network.

III. Segment II – Extend Network from Southeast Brazil to Chile.

- There is an opportunity to extend the network reach from the Southeastern Brazil to Santiago, Chile. The Project would build the second segment from Porto Alegre to Buenos Aires. The Deal Team is currently negotiating with railroad concessionaires for this route segment. National Grid, Williams Communication and Trans Canada have formed a joint venture to build from Buenos Aires to Santiago. This joint venture has been in negotiations with the Deal Team to swap fibers on the two routes.

EXIT STRATEGY

- Sell off fiber network at break even price; or cap losses at $10MM (initial ROW investment).

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Price Risk	Pricing assumptions significantly impact the project's returns. The model range of $1,200 to $2,000 fiber/km per 48-fiber packet is a RAC estimate based on Deal Team proposals. An Anchor Tenant contract at $1,180 fiber/km has been offered, which helps define the low end. The Deal Team has other proposals in front of customers at prices up to $5,000 fiber/km for fiber sales of 4 to 6 fibers. This number has been discounted due to: • Open Access (see below) will put significant downward pressure on prices. • Current proposals are theoretical in nature and do not reflect actual commitments. • The need to sign up customers quickly to demonstrate commitment to the project and the need for multiple transactions for the sale of all 48 fibers will influence pricing.
Fiber Build by Competitors	There are a number of companies interested in building networks in South/Southwest Brazil. These companies are either potential customers or competitors. • Embratel and Intelig have the need for fiber that justifies strong capital commitment to the development of routes in this area. They are currently not building fiber for sale, preferring to swap with existing players, in an apparent attempt to keep new players out of the market. If this strategy changes, they would become formidable competitors. • With the purchase of the ROW Enron will have shown commitment to a fiber build which will help attract customers. If another credible player enters the market and shows stronger commitment (purchase ROW and commit to build), then customers may gravitate to them. • Under the TBG Shareholders Agreement, any TBG Shareholder has the right to use TBG's ROW provided that fair compensation is paid and such compensation is approved by TBG's board of directors. Also, recent legislation prevents ROW owners (pipelines, highways, etc) from denying ROW to qualified interested parties (qualified by ANATEL) provided that a fair price is paid. • Potential players in the market: Embratel, Intelig, AES, and Williams.
Open Access	• Under current legislation, Enron may be forced to sell unused capacity at "fair market" prices as defined by ANATEL (Brazilian Telecom Regulatory Agency). This legislation is new (November 1999) and has not been interpreted by ANATEL yet. The concept of fair market is just now being introduced in the Brazilian telecom market and may significantly impact on the potential upside of this transaction.
Public Notice	• Under recent legislation, TBG will probably have to issue a public notice of the availability of the ROW, making ROW available for purchase to other investors. The notice may include technical information, pricing and time periods for obtaining the ROW. Ultimately, the entire agreement may be made available to the public

RAC Deal Approval Sheet

Deal Name: South American Fiber Optic Network

Other Regulatory Risks	The Brazilian telecom sector is undergoing rapid regulatory change and new regulations or unforeseen applications of existing regulations could affect project economics.
189km ROW Gap	One of the conditions precedent in the proposed agreement is a satisfactory solution for the 189-kilometer gaps on the route. Some of the solutions may include: • Purchasing use of rights of way directly from Petrobras. • Purchasing rights of way directly from highway authorities or railway concessionaires, or purchasing conduit from other parties for gap sections (Barramar is constructing a conduit network that runs parallel to the TBG ROW). • Intelig bridging the gaps with its railroad rights of way. • Acquiring individual alternative rights of way.

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business				
Strategic Fit			x	
Upside Potential			x	
Management	x			X
Risk Mitigation		x		

OTHER RAC COMMENTS:

This is a speculative investment that may result in the loss of the initial investment if the market for fiber does not develop or another more aggressive player decides to build. If the market does develop, this investment has embedded options to expand capacity, which would significantly increase returns.

- Any construction along the ROW (without a 100% of the capital covered through pre-sales) would require a DASH.
- Any sale of fiber to EBS would require a separate DASH.

APPROVALS:

Name		Signature	Date
RAC Management	David Gorte		
Enron Capital Management	Jeff McMahon		
Business Unit Originator	Pravin Jain	[signature]	3/9/00
Legal (ESA)	Robert George	[signature]	3/9/00
Legal (EBS)	Kristina Mordaunt		
Business Unit Management (ESA)	Jim Bannantine		
Business Unit Management (ESA)	Joe Kishkill	[signature]	3/9/00
Business Unit Management (EBS)	Joe Hirko	[signature]	3/9/00
Business Unit Management (EBS)	Steve Elliott	[signature]	3/9/00
ENE Management	Jeff Skilling	[signature]	3/10/00

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EXH003-01357

Other Regulatory Risks	The Brazilian telecom sector is undergoing rapid regulatory change and new regulations or unforeseen applications of existing regulations could affect project economics.
189km ROW Gap	One of the conditions precedent in the proposed agreement is a satisfactory solution for the 189-kilometer gaps on the route. Some of the solutions may include: • Purchasing use of rights of way directly from Petrobrás. • Purchasing rights of way directly from highway authorities or railway concessionaires, or purchasing conduit from other parties for gap sections (Barramar is constructing a conduit network that runs parallel to the TBG ROW). • Intelig bridging the gaps with its railroad rights of way. • Acquiring individual alternative rights of way.

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business			x	
Strategic Fit			x	
Upside Potential				x
Management	x			
Risk Mitigation		x		

OTHER RAC COMMENTS:

This is a speculative investment that may result in the loss of the initial investment if the market for fiber does not develop or another more aggressive player decides to build. If the market does develop, this investment has embedded options to expand capacity, which would significantly increase returns.

- Any construction along the ROW (without a 100% of the capital covered through pre-sales) would require a DASH.
- Any sale of fiber to EBS would require a separate DASH.

APPROVALS:

Name		Signature	Date
RAC Management	David Gorte		
Enron Capital Management	Jeff McMahon		
Business Unit Originator	Pravin Jain		
Legal (ESA)	Robert George		3/2/00
Legal (EBS)	Kristina Mordaunt		3/8/00
Business Unit Management (ESA)	Jim Bannantine		
Business Unit Management (ESA)	Joe Kishkill		3/6/00
Business Unit Management (EBS)	Joe Hirko		
Business Unit Management (EBS)	Steve Elliott		
ENE Management	Jeff Skilling		

RAC Deal Approval Sheet

Deal Name: South America Fiber Optic Network

Other Regulatory Risks	The Brazilian telecom sector is undergoing rapid regulatory change and new regulations or unforeseen applications of existing regulations could affect project economics.
189km ROW Gap	One of the conditions precedent in the proposed agreement is a satisfactory solution for the 189-kilometer gaps on the route. Some of the solutions may include: • Purchasing use of rights of way directly from Petrobrás • Purchasing rights of way directly from highway authorities or railway concessionaires, or purchasing conduit from other parties for gap sections (Bammtel is constructing a conduit network that runs parallel to the TBG ROW). • Intelig bridging the gaps with its railroad rights of way. • Acquiring individual alternative rights of way.

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business				X
Strategic Fit				X
Upside Potential				
Management	X			
Risk Mitigation		X		

OTHER RAC COMMENTS:

[illegible] a speculative investment that may result in the loss of the initial investment if the market for fiber does not develop or [illegible] more aggressive player decides to build. If the market does develop, this investment has embedded options to expand [illegible] which would significantly increase returns.

- [illegible] construction along the ROW (without a 100% of the capital covered through pre-sales) would require a DASH.
- [illegible] sale of fiber to EBS would require a separate DASH.

APPROVALS:

Name	Signature		Date
[illegible] Management	David Gorte		
[illegible] Capital Management	Jeff McMahon		
Business Unit Originator	Pravin Jain		
Legal (ESA)	Robert George		
Legal (EBS)	Kristina Mordaunt		
Business Unit Management (ESA)	Jim Bannantine		
Business Unit Management (ESA)	Joe Kishkill		
Business Unit Management (EBS)	Joe Hirko		
Business Unit Management (EBS)	Steve Elliott		
[illegible] Management	Jeff Skilling		

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EC004402045

EXH003-01359

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$10,054
Less: Financing	-0-
Less: Syndication's	-0-
Net Enron Investment	$10,054

2. **Investment terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

3. **Financing terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market ☐N/A

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ☐ Unrestricted ☐ Legally Restricted ☒ Practically Restricted

Describe (if necessary): Purchasing a non-exclusive Right-of-Way

5. **Any recourse to Enron (other than investment):** ☐ Recourse ☒ No Recourse

Describe (if any):

6a. **Business unit intent to syndicate:** ☒ None ☐ Partial ☐ All

Describe (if necessary):

6b. **Intended Enron hold period:** Strategic Investment

6c. **Likely Syndication Market:**

- ☐ **Industry/Strategic Partner**
  - ☐ **Capital Markets**
  - ☐ **JEDI 2**
  - ☐ **LJM 1 or 2**
  - ☐ **Other:** ____________
- ☐ **Direct Private Equity**
  - ☐ **JEDI 1**
  - ☐ **Enserco**
  - ☐ **Condor**
  - ☐ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☒ No

Global Finance Representative: [signature] LAWRENCE M. LAWYER 3/1/00

Signature Name Date

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EXH003-01360

S-16

EC004402047

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Transredes II
Counterparty: Transredes S.A. ("TRSA")
Business Unit: Enron South America
Business Unit Originator: Peter Weidler
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: 04/05/00
RAC Analyst: Derek Mo
Investment Type: Secured Working Capital Loan
Capital Funding Source(s): Balance Sheet
Expected Closing Date: April 2000
Expected Funding Date: April 2000
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment	US$5.0MM
Bid Bond Amount	NA

EXPOSURE SUMMARY

This transaction:	US$ 5.000MM
Original investment:	US$131.750MM
Total	US$136.750MM

DEAL DESCRIPTION

Transredes S.A. ("TRSA") is in the business of transporting natural gas and hydrocarbon liquids in Bolivia. Enron and Shell each owns 25% of TRSA, while Bolivian pension funds own 34% and current and former employees own the remaining 16% of TRSA. TRSA owns 51% of GasTransBoliviano ("GTB"), which is the Bolivian portion of the Bolivia-to-Brazil Pipeline. TRSA also owns approximately 25% of the Cuiabá Integrated Project.

EC004402048

TRSA's cash liquidity position has been depleted as a result of the following events:

1. Delays in Cuiabá Project Financing
2. A recent oil spill from one of Transredes' liquids pipelines and subsequent delays in insurance proceeds (the insurance company is currently disputing its obligation to pay).
3. Delay in buildup of anticipated gas demand in Brazil which has had an impact on transportation volumes and subsequent cashflow.

Additionally, TRSA's plans to cover this shortfall with proceeds from a recapitalization of the company in early 2000 have not materialized due to delays in establishing a new tariff regime prior to the legally required date of May 2001.

Concurrently, with regards to the Cuiabá Project Financing, TRSA is being asked by the Project Lenders, OPIC and CAF, to provide a stand-by Letter of Credit or an investment grade guarantee for potential future project cost over-runs and liquidity support.

During March 2000, TRSA was able to obtain US$10MM from Banco Nacional de Bolivia (BNB) and US$8.75MM from the monetization of future subordinated debt payments from GTB. Notwithstanding, TRSA's forecasts that its cash position will turn negative as of April 3, 2000. Total cash shortfalls between April 2000 and May 2001 amount to US$125MM including commitments for Cuiaba.

Enron is currently pursuing two paths in regards to a permanent solution to the TRSA situation. The first path is the purchase of a portion or all of TRSA's interest in the Cuiabá Project. If this is determined to be the preferred course of action, then upon successful execution by Enron of a purchase of all or a portion of TRSA's interest in the Cuiabá project, the proceeds of said purchase would be utilized first to repay all outstanding borrowed amounts from this Facility as well as the balance of defaulted cash calls on Cuiabá. Transredes currently has US$84MM invested in Cuiabá and has defaulted on approximately US$18MM of cash calls. The second path is an expansion of the Facility secured by TRSA's interest in GTB. If it is determined that an expansion of this Facility is desired, it is contemplated that Enron and Shell would loan no more than a total of US$70MM against the GTB interest. The remainder of any needed funds would be obtained from issuance of bonds in the local market or the sale of assets. Analysis will be complete within two weeks and a recommendation will be forthcoming during the month of April.

At this time, Enron South America requests authorization to provide a 14-month US$5.0MM Revolving Credit Facility funded in the form of two separate loans of US$2.5MM each. The first loan of US$2.5MM will take place at the beginning of April 2000 with the second loan taking place around the middle of April 2000 after review of TRSA's cash position and progress made on the Cuiabá purchase. Enron is not obligated to provide the second loan of US$2.5MM. Shell will also provide an identical loan under a common terms agreement with Enron. The Enron & Shell loans will be secured by 100% of TRSA's Shareholder Capital Interest in GTB with both Enron & Shell sharing the collateral proratably. Shell executive management has indicated its support for the proposal and will be obtaining executive committee proposal by March 30, 2000.

Summary of Key Terms:

- **Tenor:** 12 month facility with option by Enron to extend for 2 additional months.
- **Security:** Security interest in 100% of TRSA's Capital Interest (definition includes Capital Commitment, Shares and Subordinated Loans) in Gas TransBoliviano S.A. ("GTB"). There will be a period of 60 days during which time all required regulatory and government approvals will be obtained to permit perfection of the security interest. In the event perfection is not obtained, Enron has the option to 1) ask TRSA to deliver other security for the loan to be approved by the Lender, 2) continue the Facility as an unsecured loan with a corresponding adjustment to the interest rate, or 3) accelerate the loan and declare the loan due and payable.
- **Structuring fee:** 0.50% of the Facility Amount paid upfront to Enron upon delivering each advance of US$2,500,000 to the Facility.
- **Commitment fee:** 0.50% p.a. for each commitment of US$2,500,000 calculated on the undrawn but available portion of the Facility.
- **Interest rate:** Secured rate is a floating rate equal to 1 month LIBOR plus a margin of 5.00% p.a. to be applied to the drawn portion of the Facility. Unsecured rate is a floating rate equal to 1 month LIBOR plus a margin of 7.00% p.a. to be applied to the drawn portion of the Facility.
- **Default interest rate:** 2.00% p.a. over and above the appropriate and applicable Interest rate above.
- **Mandatory Prepayments:** Upon successful execution of a purchase of all or a portion of TRSA's interest in the Cuiabá Project, the proceeds of said purchase must be utilized first to repay all outstanding borrowed amounts from this facility. Upon repayment of the borrowed amounts from the Cuiabá Project, Enron's commitment shall be terminated and Enron will have no further obligation to lend to TRSA under this Agreement.

TRANSACTION SOURCES AND USES OF FUNDS ('000)

	Sources		Uses
Enron 1st Credit Facility	$2,500		
Enron 2nd Credit Facility	$2,500	Working Capital Advances	$5,000
Total	$5,000	Total	$5,000

RETURN SUMMARY

Below is a comparison of the debt spread, commitment and upfront fees that Enron will charge Transredes versus what other counterparties are currently charging to Transredes. The comparison indicates that Enron is charging Transredes market rates.

Debt Spreads (Over LIBOR):		Commitment Fees:		Upfront Fees:	
Senior	2.79%	Senior	1.00%	Senior	1.50%
ECA	2.25%	ECA	0.30%	ECA	0.50%
OPIC	4%	OPIC	0.50%	OPIC	1.50%
Average Spread	3%	Average Commitment Fee	0.60%	Average Upfront Fee	1.17%
Proposed Enron Spread	**5%**	**Proposed Enron Fee**	**0.50%**	**Proposed Enron Fee**	**0.50%**

Summarized below is Transredes' projected total debt and EBITD through 2004. EBITDA projections represent deterministic values that were presented by the deal team. RAC has not performed a probabilistic analysis to confirm or derive EBITDA values. The increase in Year 2001 EBITDA reflects the deal team's anticipation of a tariff rate increase. However, the event of a tariff rate increase is uncertain. Total debt over EBITDA is also calculated below. Note that total debt is always less than EBITDA multiplied by a factor of 5 indicating that Transredes should have sufficient debt coverage.

	1999	**2000**	**2001**	**2002**	**2003**	**2004**
New Debt		$205,283	$408,410	$521,020	$538,800	$480,180
Old Debt	$12,088	$23,541	$22,696	$21,850	$19,184	$16,700
Total	**$12,088**	**$228,824**	**$431,106**	**$542,870**	**$557,984**	**$496,880**
EBITDA	$69,527	$77,954	$218,408	$113,545	$116,520	$127,662
Total Debt/EBITDA	**.17**	**2.94**	**1.97**	**4.78**	**4.79**	**3.89**

CASH FLOW SUMMARY

Cash flow summary is not included, as this is a short-term bridge loan of 14 months. Additional funding is required for balance of 2000; an updated model will be done at that time when those funds are required.

TRANSACTION UPSIDES/OPTIONALITY

NA

EXIT STRATEGY

Refinanced after tariff is reset/increased. If there are no tariff increases, sale of interest in Cuiabá project will occur.

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Tariff reset not favorable for attracting long-term financing.	Capitalization/privatization agreement provides for tariffs calculations based on cost of service, debt service, 12.5% return on equity, and deferred accounts.
Cuiabá Funding Delayed or unsuccessful financial closing.	Enron pursuing a purchase of all or a portion of TRSA's interest in Cuiabá.
Inability to perfect security interest in collateral.	Interest rate adjusted to reflect market based rates for unsecured loans.

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business				X
Strategic Fit				X
Upside/Optionality		X		
Management	X			
Risk Mitigation			X	

OTHER RAC COMMENTS:

This is a short-term bridge loan that is being funded to permit Enron to further evaluate its options with respect to this investment; this loan is being extended in parallel with an identical loan from Shell. A full RAC assessment of this investment will occur prior to further investments in Transredes.

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: South America Fiber Optic Network
Counterparty: TBG – Transportadora Brasileira
Gasoduto Bolivia - Brasil S.A.
Business Unit: ESA (50%) / EBS (50%)
Business Unit Originator: Pravin Jain
☐Public ☒Private
☐Merchant ☒Strategic
☐Conforming ☒Nonconforming

Date DASH Completed: 01 March 2000
RAC Analyst: Daniella Carneiro / Juan Samudio
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: 03 March 2000
Expected Funding Date: TBD
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment $10,054

EXPOSURE SUMMARY

This transaction: $10,054
Total $10,054*

* Actual construction on the Right of Way is estimated to cost an additional $51MM if multiple subduct conduits are installed (allows up to three expansions), and $43MM if single-subduct conduits are used (option for one expansion only).

DEAL DESCRIPTION

Enron South America and Broadband Services propose to spend $10MM for the purchase of a non-exclusive perfected use of Rights of Way ("ROW") along a 987-kilometer segment of the pipeline from Campinas to Porto Alegre from TBG – Transportadora Brasileira Gasoduto Bolivia-Brasil S.A Population along this route is over 6.6 million (4% of Brazilian population) and accounts for 8.7% of the Brazilian total purchasing power. A proposed fiber swap would extend the network reach over an additional 950km, connecting the original network to the prime cities of São Paulo, Rio de Janeiro and Belo Horizonte. Population in the swapped route exceeds 22.1 million (13% of population), and accounts for 27.2% of the country's purchasing power. The purchase of the ROW is subject to two conditions precedent: (a) Resolution of a 189km ROW gap, and (b) Obtaining licensing from ANP and ANATEL.

The ROW will not provide revenues directly, but will clarify Enron's and Petrobrás' position in the market and will provide several commercial options going forward.

Enron's Position
By purchasing the ROW Enron will have demonstrated willingness to build along the proposed route. With the resolution of the ROW gap and by obtaining regulatory approval, Enron will become a more credible seller of fiber in the marketplace. It will become more economical for firms to purchase fibers from Enron than to spread the fixed cost of ROW and construction of a network themselves.

Petrobrás' Position
As a condition precedent to the sale, Enron must obtain ROW along 189km owned by Petrobrás rather than the pipeline, or along a satisfactory alternate route (i.e. highways, railroads). Petrobrás owns a 51% stake in TBG and has delayed negotiations as it tries to decide its own future role in the telecom market in Brazil. The Deal Team can leverage Enron's purchase of ROW to put additional commercial pressure on Petrobrás with the potential for legal/regulatory pressure to follow.

Commercial Options
1. Sell fiber to a third party. The break-even $909/km (based on a $43MM construction cost) for 48 fibers supports deal offered to Intelig at $1,180/km.
2. Sell fibers to EBS for developing their network
   - The favorable conclusion of a proposed strategic swap with Intelig will give Enron valuable mileage for increased network reach which in turn could provide a South America platform for EIN, broadband intermediation and content delivery services.
3. Option to increase the number of fibers based on demand up to three times, and up to 216 fibers per expansion.

Capital Investment	Description of Investment	Estimated Timing
$ 10,054,000	TBG Pipeline use of ROW - Campinas - Porto Alegre	Current
$ 51,000,000	Construction of 48 Fiber/ 2 conduit network Campinas - Porto Alegre	3Q 2000

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EXH003-01365

TRANSACTION SOURCES AND USES OF FUNDS

	Sources		Uses
50% ESA/ 50% EBS Equity	$10,054	Capital Expenditure (ROW)	$10,054
Total	$10,054		$10,054

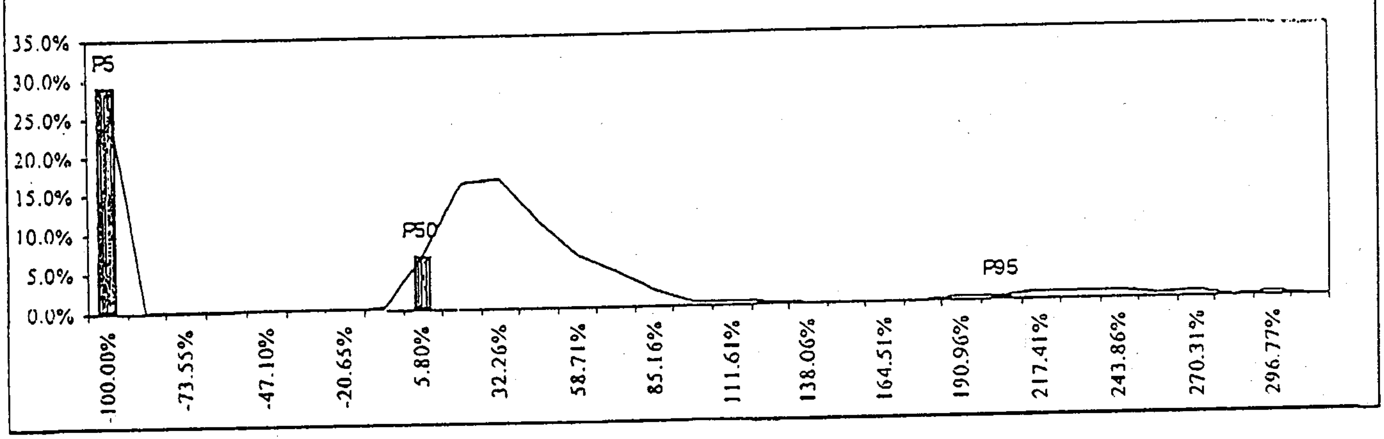
RETURN SUMMARY

* Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	($38,385)	N/A
Fees	$0	-100.00%
Intermed. Cash Flows	$39,154	28.62%
Terminal Value	$0	28.62%
Total NPV	$769	28.62%
E-Rating	9	

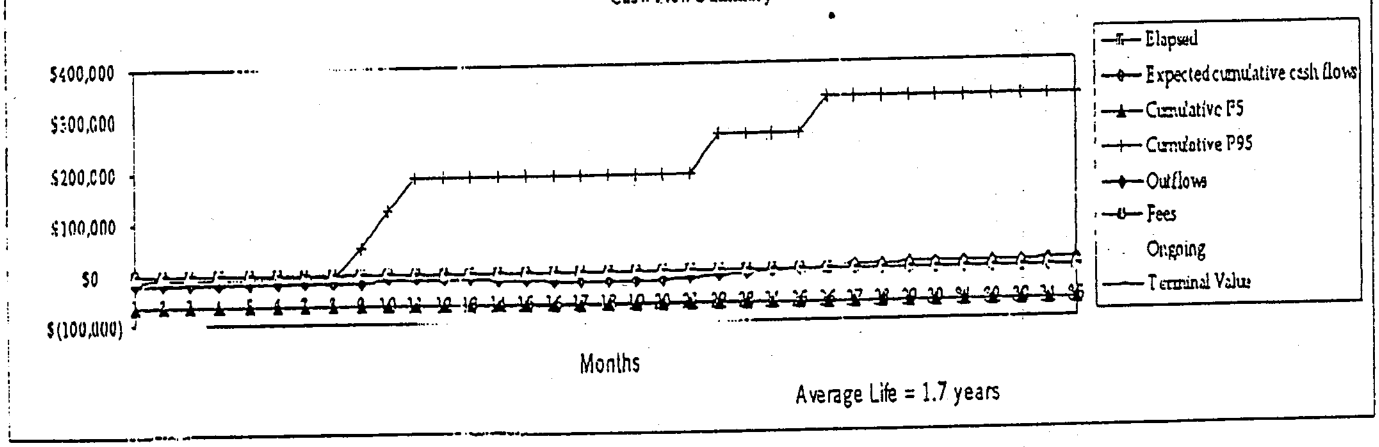
Capital Price Components	
Risk free rate (%):	6.39%
Equity/Credit premium (%):	5.02%
Country Premium (%):	5.80%
Transaction-Specific (%):	11.79%
RAC CAPITAL PRICE:	26.00%
Relative upside ratio	2.253

* *Note: Cash flows reflect the probability that the Build and Expansion options are exercised, which will be treated as separate transactions.*

IRR Distribution

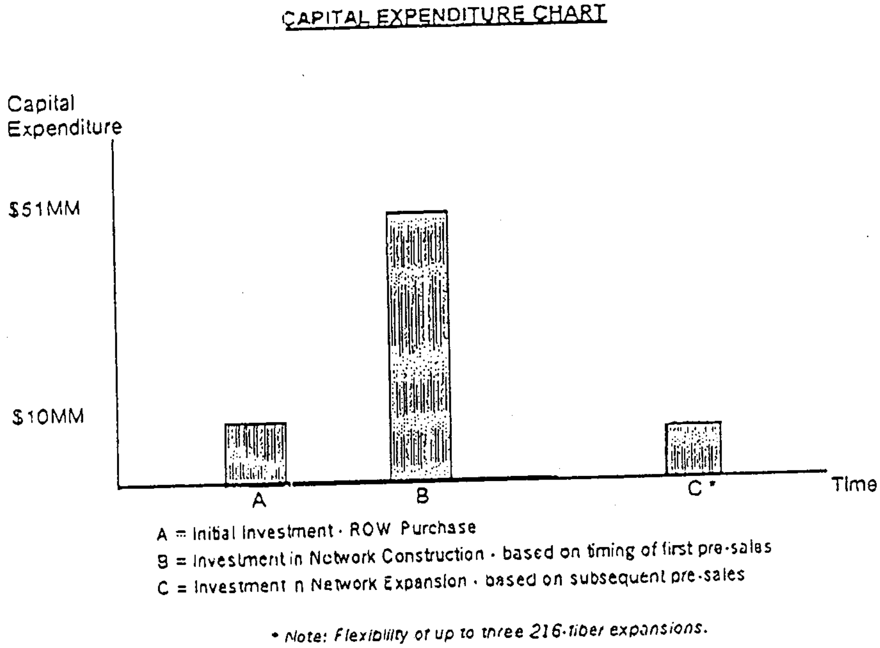


Cash Flow Summary



Average Life = 1.7 years

CAPITAL EXPENDITURE CHART



TRANSACTION UPSIDES/OPTIONALITIES

I. Expansion
- Multiple subducts allow the option to install additional fibers in conduit based on pre-sales. There is significant value in this option as the investment in the purchase and installation of each set of 48 fibers costs approximately $9MM, while the deal team estimates the 48 fibers could be sold for as much as $117MM. This probability has been included in the model and causes the tail.

II. Swap
- A proposed swap transaction with Intelig would extend the reach of the fiber network from 1,220km to 2,170km, and connect the prime cities of the Brazilian South/Southeast region. The cities connected by the network after the swap transaction account for 18% of the Brazilian population of 163 million, and 36% of the country's purchasing power.
- Having access to these prime cities would provide EBS with a strategic benefit in constructing its network.

III. Segment II – Extend Network from Southeast Brazil to Chile.
- There is an opportunity to extend the network reach from the Southeastern Brazil to Santiago, Chile. The Project would build the second segment from Porto Alegre to Buenos Aires. The Deal Team is currently negotiating with railroad concessionaires for this route segment. National Grid, Williams Communication and Trans Canada have formed a joint venture to build from Buenos Aires to Santiago. This joint venture has been in negotiations with the Deal Team to swap fibers on the two routes.

EXIT STRATEGY
- Sell off fiber network at break even price; or cap losses at $10MM (initial ROW investment).

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Price Risk	Pricing assumptions significantly impact the project's returns. The model range of $1,200 to $2,000 fiber/km per 48-fiber packet is a RAC estimate based on Deal Team proposals. An Anchor Tenant contract at $1,180 fiber/km has been offered, which helps define the low end. The Deal Team has other proposals in front of customers at prices up to $5,000 fiber/km for fiber sales of 4 to 6 fibers. This number has been discounted due to: • Open Access (see below) will put significant downward pressure on prices. • Current proposals are theoretical in nature and do not reflect actual commitments. • The need to sign up customers quickly to demonstrate commitment to the project and the need for multiple transactions for the sale of all 48 fibers will influence pricing.
Fiber Build by Competitors	There are a number of companies interested in building networks in South/Southwest Brazil. These companies are either potential customers or competitors. • Embratel and Intelig have the need for fiber that justifies strong capital commitment to the development of routes in this area. They are currently not building fiber for sale, preferring to swap with existing players, in an apparent attempt to keep new players out of the market. If this strategy changes, they would become formidable competitors. • With the purchase of the ROW Enron will have shown commitment to a fiber build which will help attract customers. If another credible player enters the market and shows stronger commitment (purchase ROW and commit to build), then customers may gravitate to them. • Under the TBG Shareholders Agreement, any TBG Shareholder has the right to use TBG's ROW provided that fair compensation is paid and such compensation is approved by TBG's board of directors. Also, recent legislation prevents ROW owners (pipelines, highways, etc) from denying ROW to qualified interested parties (qualified by ANATEL) provided that a fair price is paid. • Potential players in the market: Embratel, Intelig, AES, and Williams.
Open Access	• Under current legislation, Enron may be forced to sell unused capacity at "fair market" prices as defined by ANATEL (Brazilian Telecom Regulatory Agency). This legislation is new (November 1999) and has not been interpreted by ANATEL yet. The concept of fair market is just now being introduced in the Brazilian telecom market and may significantly impact on the potential upside of this transaction.
Public Notice	• Under recent legislation, TBG will probably have to issue a public notice of the availability of the ROW, making ROW available for purchase to other investors. The notice may include technical information, pricing and time periods for obtaining the ROW. Ultimately, the entire agreement may be made available to the public

RAC Deal Approval Sheet

Deal Name: South American Fiber Optic Network

Other Regulatory Risks	The Brazilian telecom sector is undergoing rapid regulatory change and new regulations or unforeseen applications of existing regulations could affect project economics.
189km ROW Gap	One of the conditions precedent in the proposed agreement is a satisfactory solution for the 189-kilometer gaps on the route. Some of the solutions may include: • Purchasing use of rights of way directly from Petrobras. • Purchasing rights of way directly from highway authorities or railway concessionaires, or purchasing conduit from other parties for gap sections (Barramar is constructing a conduit network that runs parallel to the TBG ROW). • Intelig bridging the gaps with its railroad rights of way. • Acquiring individual alternative rights of way.

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business			x	
Strategic Fit			x	
Upside Potential				X
Management	x			
Risk Mitigation		x		

OTHER RAC COMMENTS:

This is a speculative investment that may result in the loss of the initial investment if the market for fiber does not develop or another more aggressive player decides to build. If the market does develop, this investment has embedded options to expand capacity, which would significantly increase returns.

- Any construction along the ROW (without a 100% of the capital covered through pre-sales) would require a DASH.
- Any sale of fiber to EBS would require a separate DASH.

APPROVALS:

Name		Signature	Date
RAC Management	David Gorte		
Enron Capital Management	Jeff McMahon		
Business Unit Originator	Pravin Jain		3/7/00
Legal (ESA)	Robert George		3/2/00
Legal (EBS)	Kristina Mordaunt		
Business Unit Management (ESA)	Jim Bannantine		
Business Unit Management (ESA)	Joe Kishkill		3/6/00
Business Unit Management (EBS)	Joe Hirko		3/9/00
Business Unit Management (EBS)	Steve Elliott		3/9/00
ENE Management	Jeff Skilling		3/10/00

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EXH003-01369

Other Regulatory Risks	The Brazilian telecom sector is undergoing rapid regulatory change and new regulations or unforeseen applications of existing regulations could affect project economics.
189km ROW Gap	One of the conditions precedent in the proposed agreement is a satisfactory solution for the 189-kilometer gaps on the route. Some of the solutions may include: • Purchasing use of rights of way directly from Petrobrás. • Purchasing rights of way directly from highway authorities or railway concessionaires, or purchasing conduit from other parties for gap sections (Barramar is constructing a conduit network that runs parallel to the TBG ROW). • Intelig bridging the gaps with its railroad rights of way. • Acquiring individual alternative rights of way.

KEY SUCCESS FACTORS

	NA	Poor		Excellent
Core Business			x	
Strategic Fit			x	
Upside Potential				x
Management	x			
Risk Mitigation		x		

OTHER RAC COMMENTS:

This is a speculative investment that may result in the loss of the initial investment if the market for fiber does not develop or another more aggressive player decides to build. If the market does develop, this investment has embedded options to expand capacity, which would significantly increase returns.

- Any construction along the ROW (without a 100% of the capital covered through pre-sales) would require a DASH.
- Any sale of fiber to EBS would require a separate DASH.

APPROVALS:

Name		Signature	Date
RAC Management	David Gorte		
Enron Capital Management	Jeff McMahon	JMcMahon	
Business Unit Originator	Pravin Jain		
Legal (ESA)	Robert George	[signature]	3/2/00
Legal (EBS)	Kristina Mordaunt	MGK K Mordaunt	3/8/00
Business Unit Management (ESA)	Jim Bannantine		
Business Unit Management (ESA)	Joe Kishkill	Joe Kishkill	3/6/00
Business Unit Management (EBS)	Joe Hirko		
Business Unit Management (EBS)	Steve Elliott		
ENE Management	Jeff Skilling		

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EXH003-01370

RAC Deal Approval Sheet

Deal Name: South America Fiber Optic Network

Other Regulatory Risks	The Brazilian telecom sector is undergoing rapid regulatory change and new regulations or unforeseen applications of existing regulations could affect project economics
189km ROW Gap	One of the conditions precedent in the proposed agreement is a satisfactory solution for the 189-kilometer gaps on the route. Some of the solutions may include: • Purchasing use of rights of way directly from Petrobrás • Purchasing rights of way directly from highway authorities or railway concessionaires, or purchasing conduit from other parties for gap sections (Bannantine is constructing a conduit network that runs parallel to the TBG ROW). • Intelig bridging the gaps with its railroad rights of way. • Acquiring individual alternative rights of way.

KEY SUCCESS FACTORS

	NA	Poor			Excellent
Core Business					X
Strategic Fit					X
Upside Potential					
Management	X				
Risk Mitigation		X			

OTHER RAC COMMENTS:

... a speculative investment that may result in the loss of the initial investment if the market for fiber does not develop or ... more aggressive player decides to build. If the market does develop, this investment has embedded options to expand ... capacity which would significantly increase returns.

- ... construction along the ROW (without a 100% of the capital covered through pre-sales) would require a DASH
- Any sale of fiber to EBS would require a separate DASH.

APPROVALS:

Name		Signature	Date
ESA Management	David Gorte		
... Capital Management	Jeff McMahon		
Business Unit Originator	Pravin Jain		
Legal (ESA)	Robert George		
Legal (EBS)	Kristina Mordaunt		05/02/00
Business Unit Management (ESA)	Jim Bannantine		
Business Unit Management (ESA)	Joe Kishkill		
Business Unit Management (EBS)	Joe Hirko		
Business Unit Management (EBS)	Steve Elliott		
... Management	Jeff Skilling		

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EC004402057

EXH003-01371

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$10,054
Less: Financing	-0-
Less: Syndication's	-0-
Net Enron Investment	$10,054

2. **Investment terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market

Describe (if necessary):

3. **Financing terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market ☐N/A

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ☐ Unrestricted ☐ Legally Restricted ☒ Practically Restricted

Describe (if necessary): Purchasing a non-exclusive Right-of-Way

5. **Any recourse to Enron (other than investment):** ☐ Recourse ☒ No Recourse

Describe (if any):

6a. **Business unit intent to syndicate:** ☒ None ☐ Partial ☐ All

Describe (if necessary):

6b. **Intended Enron hold period:** Strategic Investment

6c. **Likely Syndication Market:**

☐ Industry/Strategic Partner
☐ Capital Markets
☐ JEDI 2
☐ LJM 1 or 2
☐ Other: ____________

☐ Direct Private Equity
☐ JEDI 1
☐ Enserco
☐ Condor
☐ Margaux

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☒ No

Global Finance Representative:

[signature]	LAWRENCE M. LAWYER	3/1/00
Signature	Name	Date

EC004402058

EXH003-01372

RAC Deal Approval Sheet

Deal Name: Saving Priva e Ryan

APPROVALS	Name	Signature	Date
Region Originator	Peter Weidler		3 3 /00
CEO – ESA	Jim Bannantine		4 3 / 00
CEO – ESA	Diomedes Christodoulo		
Region Legal	Randy Young		
RAC Management	Dave Gorte		
Enron Capital Management	Andy Fastow or Jeff McMahon		
Office of the Chairman	Jeffrey Skilling		
	Joe Sutton		4/2/00

RAC Deal Approval Sheet

Deal Name: Saving Private Ryan

APPROVALS	Name	Signature	Date
Region Originator	Peter Weidler	Peter Weidler	3/31/00
CEO – ESA	Jim Bannantine		
CEO – ESA	Diomedes Christodoulou		
Region Legal	Randy Young		4/1/00
RAC Management	Dave Gorte		4/6/00
Enron Capital Management	Andy Fastow or Jeff McMahon		
Office of the Chairman	Jeffrey Skilling		
	Joe Sutton		

Global Finance Summary (addendum to DASH)

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	$5,000
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	$5,000

2. **Investment terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market
   Describe (if necessary):

3. **Financing terms and pricing:** ☒ Market ☐ Above Market ☐ Below Market
   Describe (if necessary):

   Based on local borrowing comparables (BNB Facility).

4. **Legal or practical liquidity restrictions:** ~~☒ Unrestricted~~ ☐ Legally Restricted ☒ Practically Restricted
   Describe (if necessary):

5. **Any recourse to Enron (other than investment):** ☐ Recourse ☒ No Recourse
   Describe (if any):

6a. **Business unit intent to syndicate:** ☒ None ☐ Partial ☐ All
   Describe (if necessary):

   Inefficient to syndicate this small of an exposure.

6b. **Intended Enron hold period:**

   Expected term of 3 months to allow sufficient time for negotiation and closure of Cuiabá purchase and sale. Potential term of 14 months if unsuccessful.

6c. **Likely Syndication Market:**
   - ☐ **Industry/Strategic Partner**
   - ☐ **Capital Markets**
   - ☐ **JEDI 2**
   - ☐ **LJM 1 or 2**
   - ☐ **Other:** ______________
   - ☐ **Direct Private Equity**
   - ☐ **JEDI 1**
   - ☐ **Enserco**
   - ☒ **Condor**
   - ☐ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ☐ Yes ☒ No

Global Finance Representative: Brian R. Swinford (signature) — Brian R. Swinford — 3/31/00

Signature Name (Printed) Date

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S-17

EC004402062

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: NP TPL DEAL
Counterparty: National Power
Business Unit: Enron Europe Limited (EEL)
Business Unit Originator: Rob Bayley / Denis Bajolle

Date DASH Completed: [31st March 2000]
RAC Analyst: Jitendra Patel
Description: Contract Novation
Capital Funding Source(s): n/a
Expected Closing Date: [end of April'00]
Expected Funding Date: [None]
Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Do not Proceed

APPROVAL REQUESTED

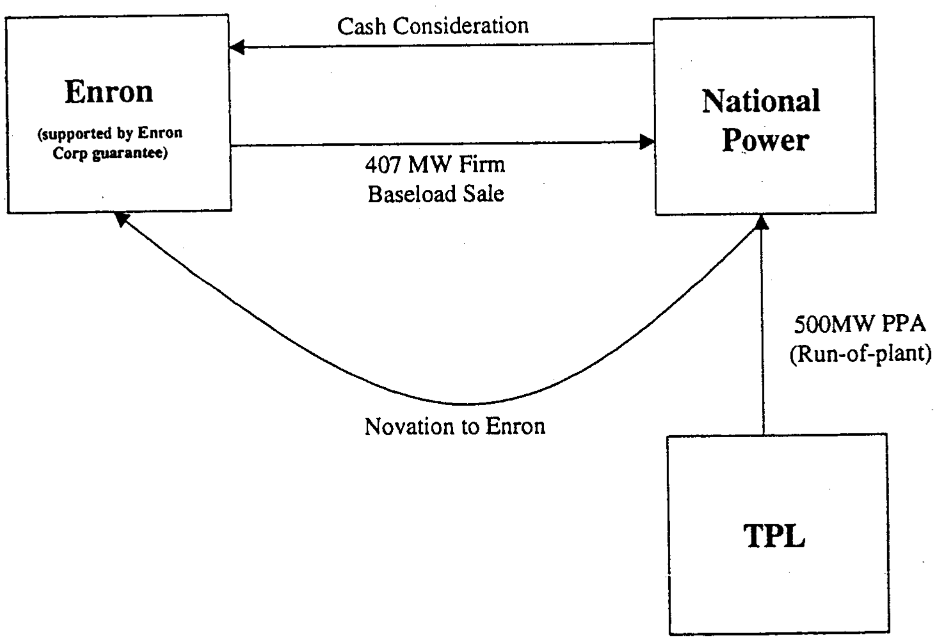
- Receive £506 MM cash payable by National Power Plc.
- Take over a loss-making power purchase agreement with Teesside Power Ltd. from Midlands Electricity [Net present value £(461) MM], but controlled by NP; (requiring Enron Corp. performance guarantee of up to £600 million – to be negotiated).
- Enter into a financial power swap priced significantly away from Enron's current UK power forward price curve [Net present value £(28) MM], (requiring an Enron Corp. performance guarantee for £40 million).

DEAL DESCRIPTION

Midlands Electricity has a long term power purchase agreement ("PPA") with Teesside Power Ltd. ("TPL") for 500 MW at prices substantially above current prices. Midland is one of four Regional Electricity Companies who contracted in 1991 with TPL to purchase power under long-term PPA's.

In 1999, National Power purchased Midlands' supply business and therefore became liable for this PPA, which has substantial negative present value to the holder. National Power has announced its intention to demerge itself into a domestic U.K. vertically-integrated electricity company and an international power development business. In preparation for the demerger, National Power approached Enron to execute the following transactions:

- Novate the Midlands TPL PPA to Enron;
- Enron and National Power will enter into a new long-term 407 MW baseload contract for differences "CFD" in which Enron receives a fixed low price in exchange for UK power pool prices ("PPP");
- National Power will transfer to Enron £506 MM cash upon novation of the out-of-the-money TPL contract and the new below-market CFD.



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EXH003-01377

Both the TPL PPA and the new sale to National Power have the same term (terminate 31 March 2008).

National Power's intent is not to materially alter their power position but to replace "non-firm" power revenue from TPL with receipts based on firm power from Enron.

STRATEGIC RATIONALE

Rationale behind Enron appetite for the deal:

- £16m accrual earnings creates a slightly short power and indexation position and gives us the option to get long if power prices start to rise.
- Receive £506m of cash upfront.
- Replaces a PPA holder whose interest may not be aligned with TPL and its shareholders (Enron 42.5%)
- Moves Enron closer to being able to restructure TPL.
- Helps to mitigate Enron's guarantee exposure to TPL default.
- Hedge for NETA.

Rationale behind NP appetite for the deal:

- Following the sale of Drax, Eggborough and Killinghome, NP is cash rich. They are prepared to use cash to resolve an off-market PPA.
- By exchanging the PPA against the CfD, they exchange a hard to manage, non tradable physical contract for a financial CfD which can be hedged easily in the market. Also, since NP (domestic) will be using accrual accounting, by entering into a CfD agreement to buy power below market, £17/MWh in a £19/MWh market (i.e. prepaying for power), they will be able to pass that CfD to their supply business and recognise good earnings over time.
- Finally, by crystallising the £500m losses in the PPA, NP will be able to take a current tax deduction which may be carried forward and used to offset tax on future profits as they arise.

POSITION/EXPOSURE SUMMARY

The PPA

The price in the PPA with TPL into which Enron will step into is a function of the following published indices:

- industrial power prices ("Energy Trends – Elec"), opens a 2.2 TWh short position;
- industrial heavy fuel oil prices ("Energy Trends – HFO"), opens a 894,779 mt short position;
- the UK producer price index ("PPI"), opens a £87.1mm short position;
- the UK Department of Energy cost of fossil fuels index ("COF"), opens a small illiquid short position;

in return for Pool Purchase Price ("PPP") receipts on 500 MW capacity with 60% Load Factor.

Also, a short natural gas position of around 12 Bcf arising from rejected Enrici tolling capacity.

The CFD

Enron receives £17/MWh in return for PPP on 407 MW baseload capacity

Each of these positions will be hedged with the appropriate MTM trading books.

The impact on the UK Power book arises from the net position from the PPA with TPL and the new CFD with NP as above, and is summarized as follows:

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EXH003-01378

RAC Deal Approval Sheet **Deal Name: NP TPL Deal**

Proposed Deal	1-Day VAR ($mm)	Position (TWh)	Longer Liquidation Horizon - V@R 10-day	30-day	60-day
ET ELEC	0.6	-2.2	1.9	3.3	4.6
PPA + CFD	0.5	-5.1	1.7	2.9	4.1
RESULTING NET POSITION	1.1	-7.3	3.4	5.8	8.3
CURRENT - UK POWER BOOK	6.7	-24.5	21.3	37.0	52.6
CURRENT + DEAL	7.7	-31.8	24.6	42.8	60.7
CURRENT + DEAL + PROJECT REPEAT	15.2	-81.7	49.7	86.5	122.7
LIMIT	18	85.0			

The analysis includes the effect of Project Repeat, since this is pending, yet to be booked. Due to the depth of the UK power portfolio and the relative liquidity of the near term market, it is expected that the power position in this deal could be closed out sooner than 10 days.

The only component of this transaction that is truly illiquid is the COF position. Using HFO as a proxy the position is equivalent to short 488,000 mt.

RETURN SUMMARY

Expected P&L

P&L	PV £ MM
Capacity Charge:	-£470.19
TPL Grid Charges:	-£33.74
ICI Rejection (10% of CFD):	-£1.47
Enrici Rejection:	-£7.60
Share of IG:	£7.71
Share of Ancillary Services:	£2.11
EC MTM (On MinGen Volume):	£50.82
PPA Gross Value:	-£452.37
Adjustment for Index, Plant and NETA Risk:	-£12.50
PPA Net Value:	-£464.87
SPPA	£3.50
PPA + SPPA Net Value:	-£461.37
NP CFD:	-£28.76
Cash Payment:	**£506.00**
Net P&L (Accrued) Pre-tax:	**£15.87**
Value of 75 bp ENE COF (Accrued):	£13.57
Total Value:	**£29.44**

Expected Return Analysis - Not applicable since all earnings are on accruals basis.

ACCOUNTING ISSUES

Because the PPA transfers a large portion of plant operating risk to the PPA holder and Enron operates the plant, it will be accounted for as an operating lease of a portion of the plant for U.S. GAAP purposes. Thus, any imbedded value in the transaction will be recognized on an accrual basis over the remaining term of the PPA.

LEGAL ISSUES

This deal does not present any special legal risks.

The agreement with National Power will be binding on Enron with Enron Corp. approval or other internal approvals. It will however be subject to third party consents/approvals which Enron and National Power will use reasonable efforts to obtain.

RISK MATRIX

As a counterpart to the Midlands PPA, Enron will be exposed to the following risks:

DESCRIPTION	MITIGATION/COMMENTS
Commodity Risk	Enron will be exposed to the following residual commodity positions: Energy Trends Electricity (specifically the basis risk between ET-Elec and PPP) Energy Trends HFO (specifically the basis risk between ET-HFO and crude oil) PPI (net of some existing offsetting positions in the inflation book) Cost of Fossil Fuel Index
Credit Risk	The existing PPA is considerably out-of-the-money to Enron, hence the negligible credit reserve on this contract. Similarly we have risk on Npower under the CFD. NPower is a newly formed subsidiary of National Power PLC which is rated A- by S&P. Our exposure to NPower will be protected by a parent company guarantee and proposed documentation will include MAC clauses covering for downgrade, change of ownership etc.
Operating Risk	**Plant Risk** The power received under the PPA's is subject to plant availability, output variations due to temperature and steam exported to ETOL. Performance risk exists on TPL but given its' approx. 42% ownership by Enron and the fact that we operate the plant we consider this negligible. **Operating Profile** As the PPA's are based on the run-of-the-plant, Enron as buyer will not know how it's minimum purchase obligation will be produced throughout the year. The value of power produced depends on whether supplementary power purchase agreements ("SPPA") are in place and the way TPL elects to run the plant to produce minimum volumes. **Grid Costs** The PPA valuation is based on a forecast of future grid connection expenses. Actual future costs may vary. This has been mitigated by a carve out clause in the agreement with National Power. **Transmission Losses** The National Grid Company's proposed treatment of transmission losses will penalize generators in the North of England. As proposed, TPL's offtakers will be responsible for transmission loss payments (i.e. the offtakers will receive less than 100% of TPL's output). This has been mitigated by a carve out clause in the agreement with National Power.
Tax Risk	There is a risk that £480m of the £506m upfront receipt of cash will be subject to immediate US taxation at 35% (in addition to UK tax at 30%). This would result in an additional tax expense of £168m. This is an absolute tax expense as no tax credit can be taken. There are a number of defences strategies each of which would need to fail before the exposure crystallises.
Regulatory	Under the TPL PPA's, new laws or regulations imposed on TPL that result in a quantifiable increase in generation costs is passed through to the offtakers. This has been mitigated by a carve out clause in the agreement with National Power.
NETA	Included in the UK New Electricity Trading Arrangements ("NETA") is the concept of daily balancing. To the extent that TPL fails to balance its position in the UK pool, costs will likely be passed on to the offtakers, including Enron as holder of the PPA.

RAC Deal Approval Sheet

Deal Name: NP TPL Deal

BUSINESS UNIT APPROVALS:

	Name	Signature	Date
Business Unit Originator	Rob Bayley / Denis Bajolle	R. G. [illegible]	
Structuring London	Dale Surbey	[illegible]	31/03/00
RAC London	Steve Young	[illegible]	31/03/00
Business Unit Management	Richard Lewis	[illegible]	31/03/00
Financial & Trading Support	Fernley Dyson	[illegible]	31/03/00
Legal London	Paul Simons	[illegible]	31/03/00
Transaction Support	Phillip Lord	[illegible]	31/03/00
Enron Capital Management	Paul Chivers AE	A.J. Edy	31.03.00
Tax London	Jim Sandt	[illegible]	31/03/00
Tax London	Rod Sayers	R. P. Sayers	31/03/00

EC004402067

RAC Deal Approval Sheet

Deal Name: NP TPL Deal

APPROVALS:

APPROVALS	Name	Signature	Date
RAC Management	Rick Buy	RB	3/31/00
Enron Capital Management	Andy Fastow / Jeff McMahon	J McMahon	
Legal	Michael Brown	M Brown	31/3/00
Business Unit Mgmt.	John Sherriff	J Sh	31/3/00
Business Unit Mgmt.	Mark Frevert	JSh for Mark Frevert	31/3/00
ENE Management	Joe Sutton	J Sutton	31/3/00

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EXH003-01382

RAC Deal Approval Sheet

Deal Name: NP TPL Deal

APPROVALS:

APPROVALS	Name	Signature	Date
Chief Accounting Officer	Rick Causey	Richard A. Causey RH	

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EXH003-01383

DEAL DEFINITIONS

Bid Bond	A letter of credit or surety bond delivered at the time of submission of a bid. It guarantees that if the bidder is awarded the project that is the subject of the bid, the bidder will execute the relevant project documents in accordance with the terms of the bidder's bid.
Deal Description	short written summary of the investment.
Deal Name	Unique name for an investment/deal usually defined by Capital Pricing director or Business Unit Originator.
Deal Risk Premium (%)	Premium for a deal derived by a comparison of the transaction volatility of returns to historical sector volatility of returns; additionally incorporates any other adjustments for risks specific to the transaction. Premium could be negative if the transaction exhibits less risk than is reflected in the unadjusted capital price.
Capital Commitment ($M)	Expected present value of cash outflows in the transaction.
Expected IRR (%)	the discount rate at which the net present value of the expected cash flows would be equal to zero. This measures the expected return of the transaction but does not incorporate a measure of risk.
NPV @ Capital Price ($M)	Net Present Value at the Capital Price discount rate.
Risk-Free Rate (%)	the rate derived by weighting Treasury curve rates by the expected cash flows in the corresponding periods.
Type of Investment	Specific type of investment. For example, VPP, LP, loan, equity, alliance, debt, derivatives, refinance, and physical sales. Sometimes referred to as Instrument Type.
Value at Risk ($M)	The loss in value over a specified period of time (quarterly, daily, etc.) which will be exceeded with a certain probability. Evaluated based on market comparables.